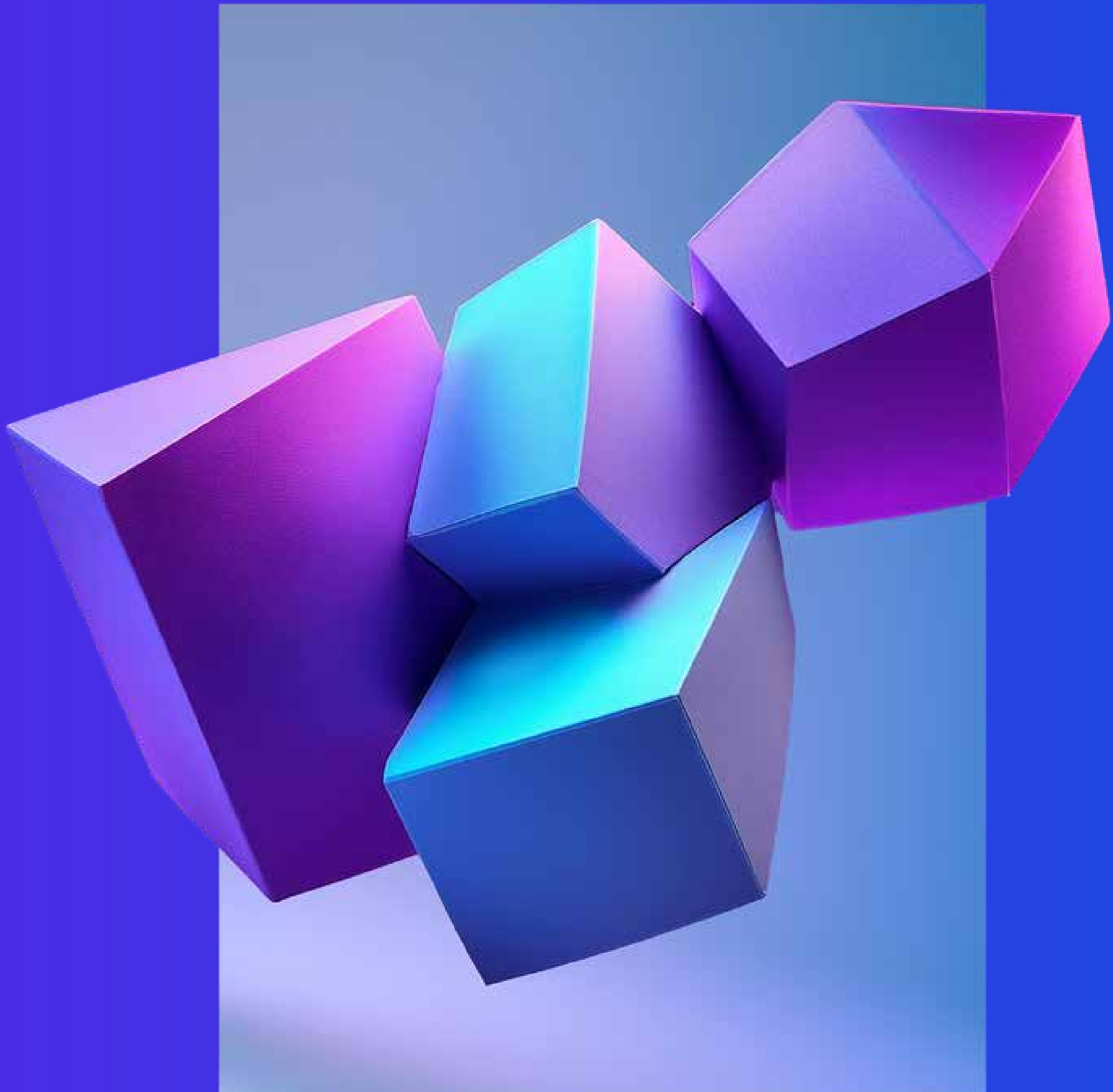
# The future of payments

Charting the pace of global payments modernisation



Winter 2024 | kpmg.com

# Foreword

**Welcome to the second annual KPMG Payments Modernisation Report. A year ago, we published our landmark report, exploring the scale of payments modernisation taking place in Financial Institutions in the UK.**

We looked at the sheer volume of modernisation, the investment capital, the key drivers and benefits, and the challenges as Financial Institutions responded to demand for more efficient, much faster and less costly payments, all delivered with resilience and security.

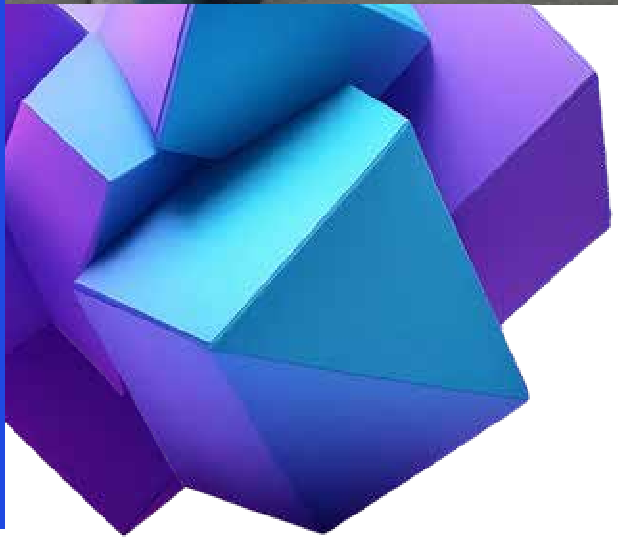
This year, we've expand the scope of our research – both to look beyond the UK and to understand the challenges of the retail sector, also charged with adapting to changing customer expectations on payments. Over the spring and summer months, we surveyed 1,500 Financial Institutions and Retailers worldwide. We augmented that quantitative survey with a series of qualitative interviews conducted with our own regional subject matter experts, who are on the ground and understand the context of the market.

The result is this publication – the KPMG Payments Modernisation Report. It sets out the opportunities that leaders in both financial services and retail now see in payments, the challenges they need to overcome as they seek to realise those opportunities, and the extent to which they have completed their transformation journeys.

I hope you enjoy this year's report and find the statistics and insights helpful in determining your own payments modernisation journey.

**Peter Harmston**

Partner, Head of
Payments Consulting
KPMG in the UK



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Executive Summary

## The overwhelming case for change

Payments modernisation is now imperative. It is not just that the regulatory landscape continues to evolve at pace, requiring organisations to update their systems and processes to remain compliant, important though this clearly is. The bigger picture is that customers are demanding change. Both organisations and consumers now expect a seamless payments experience that is secure, reliable and high-speed – and they want more choices than ever before about how to pay.

This report looks at how two sectors are responding to the modernisation imperative worldwide. We consider the progress made by both Financial Institutions, charged with maintaining and developing new payments solutions and functionalities, and Retailers, which must support customers looking to pay in multiple different ways, both online and in-store.

Our research suggests both these constituencies recognise what is at stake. Our worldwide survey of Financial Institutions reveals that more than nine in 10 Financial Institutions are currently engaged in payments modernisation programmes or have plans to launch one. More than eight in 10 Retailers say the same. These initiatives command significant labour and financial resources and represent major exercises in change management.

Modernisation is not always straightforward. Financial Institutions and Retailers alike are focused on how to innovate without compromising business-as-usual operations. They must implement new technologies on top of multiple legacy systems while ensuring no disruption to customers – and, most critically of all, while maintaining security.

Still, get it right and modernisation can deliver multiple benefits. For customers, the potential improvements in experience are powerful. But Financial Institutions and Retailers tell us they are also striving for substantial efficiency savings, faster transaction processing and an upgrade to their current data and analytics capabilities. The most successful modernisation programmes will deliver significant competitive advantage.

Such ambition is increasingly prompting organisations to launch more far-reaching payments modernisation initiatives, with a broader range of in-scope areas. It also explains the growth in outsourcing that our research notes this year; many Financial Institutions and Retailers are now looking for specialist support with payments processing, technology infrastructure and security and compliance.

The race is on to deliver the modernisation that regulators and customers are now demanding. Rapidly-evolving technologies, including cloud, artificial intelligence and quantum computing provide exciting new opportunities to respond to that demand, but also add to the complexity of the modernisation challenge.

This report provides a snapshot of the progress made so far by Financial Institutions and Retailers on modernisation. It offers key insights into the challenges that organisations are struggling with, and how they are overcoming them, as well as detailed analysis of what they hope to achieve. Above all, it also reveals that payments modernisation remains very close to the top of the C-suite agenda.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

## Against this backdrop, our key findings are as follows:

Overall, 93% of Financial Institutions plan to initiate a payments modernisation programme, or have one underway already. That includes 74% of Financial Institutions intending to begin work in the near future (48% of this group expect to get started within three to six months). A further 19% have already begun work on delivering their payments modernisation initiatives.

Among the 7% of Financial Institutions with no plans to launch payments modernisation in the foreseeable future around half (3% of all Financial Institutions) say challenges such as their existing technology infrastructure, the lack of a compelling business case and budgetary constraints are currently preventing them from pursuing modernisation. The remainder (4% of all Financial Institutions) say they have already completed such work and therefore have no need to pursue further initiatives for now.

Modernisation is an ongoing priority. While 17% of Financial Institutions have completed modernisation initiatives in the last six months, the majority of these have plans to get started with further modernisation in the near future.

The appetite for payments modernisation is also very strong in the retail sector. Here, 87% plan to initiate a payments modernisation programme, or have already done so. That includes 63% planning to get started imminently (42% of this group will begin work within three to six months), and 24% that have payments modernisation programmes already underway.

**93%**

of Financial Institutions plan to initiate a payments modernisation programme, or have one underway already

As with Financial Institutions, the 13% of Retailers not planning to launch payments modernisation are split into two groups. The first group (6%) cite issues including their existing technology infrastructure and the lack of a compelling business case as reasons for not pursuing modernisation at this time. The slightly larger of these groups (7% of all Retailers), say they have already completed payments modernisation work and don't have any immediate need for further initiatives.

In the retail sector, there is also a majority planning further work among the 21% who have completed modernisation programmes in the past six months. Retailers, too, see the need for constant activity in the payments modernisation space.

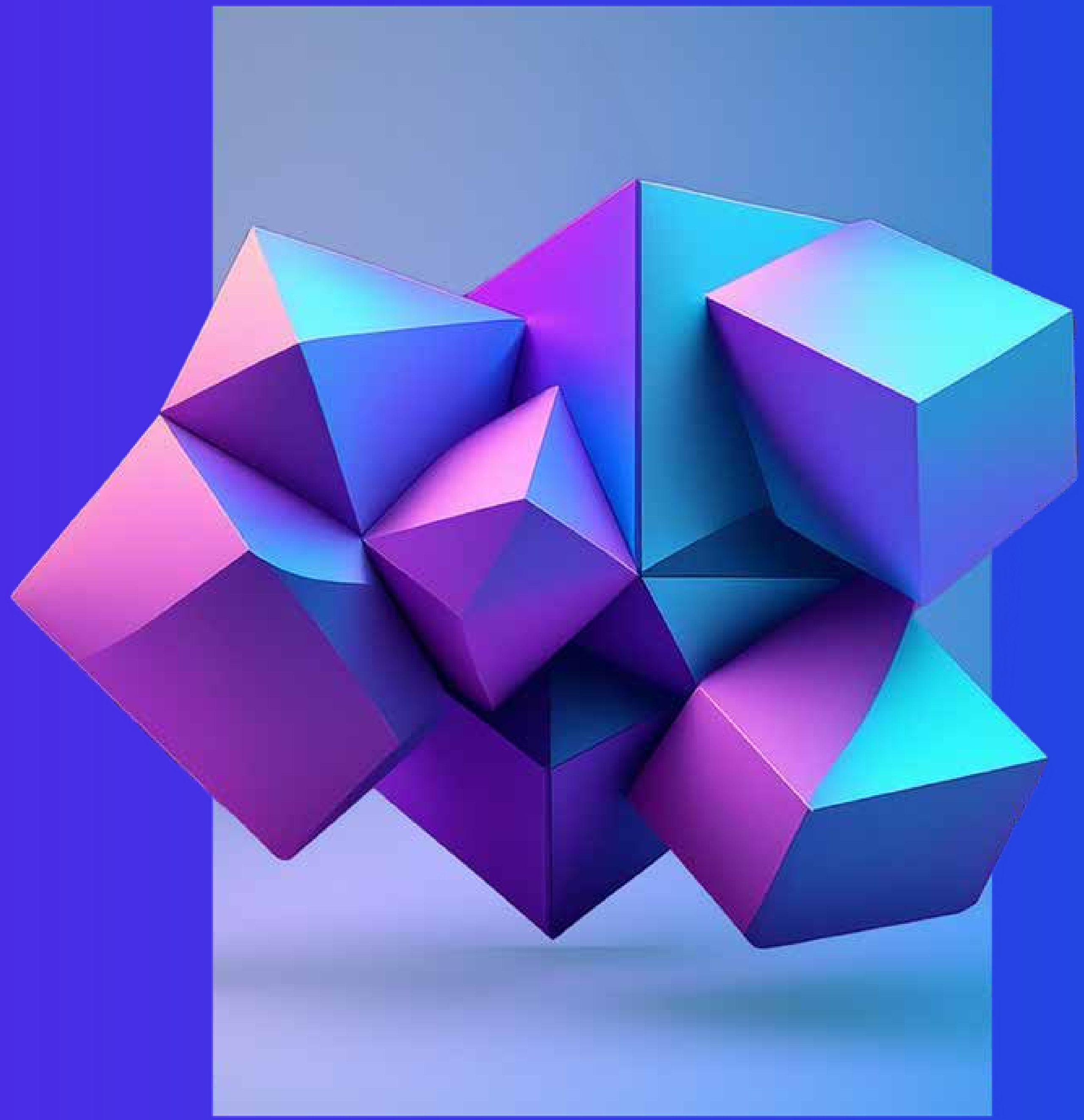
The continual advancement of payments innovation, regulatory change and customer demand is driving significant investment and change activity across Financial Institutions and Retailers. The benefits are wide ranging and are qualitative and quantitative. The balance of investment is clearly between investing in payments as a cost of doing business and investing to drive incremental growth.

The bottom line? Payments modernisation programmes are a constant. They continue to drive disruption as organisations strive to keep up with customer and market demand.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# 01

# Global Overview



KPMG

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Financial Institutions Analysis

**93%**

of global Financial Institutions already have payments modernisation programmes underway or have plans to launch one which is in line with other global regions.

**49%**

of respondents cited that changing customer expectations are the most significant factor which is triggering the payments modernisation programme.

## $18.23 million is the average investment in a payments modernisation programme for Financial Institutions

Around **53%** respondents said that their approximate budget for payments modernisation programme is between **$10 and $25 million**

**15 months**

is the average time since the last significant modernisation of payments capabilities. With 33% having completed a programme of such work within the last 6 - 12 months.

**36**

is the average number of people allocated to work on modernisation programmes.

The leading expected benefits of the payments modernisation programmes:

- **Long-term cost saving**
- **Faster transaction processing**
- **Improved customer experience**

The most difficult challenges faced by respondents embarking on payments modernisation are:

- **Integration of multiple systems**
- **Deploying new payment infrastructure without affecting BAU operations**
- **Cost of implementing new payment technologies / systems**

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Cost reduction**
- **Transaction speed**
- **Fraud reduction**



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

## Financial Institutions in detail

Financial Institutions have multiple ambitions as they plan payments modernisation. However, the biggest priority of all is to respond to changing customer expectations; as Financial Institutions' customers and clients look for greater functionality, flexibility and convenience. 49% of organisations taking part in this research cite this as one of the top three drivers of their payments modernisation programme.

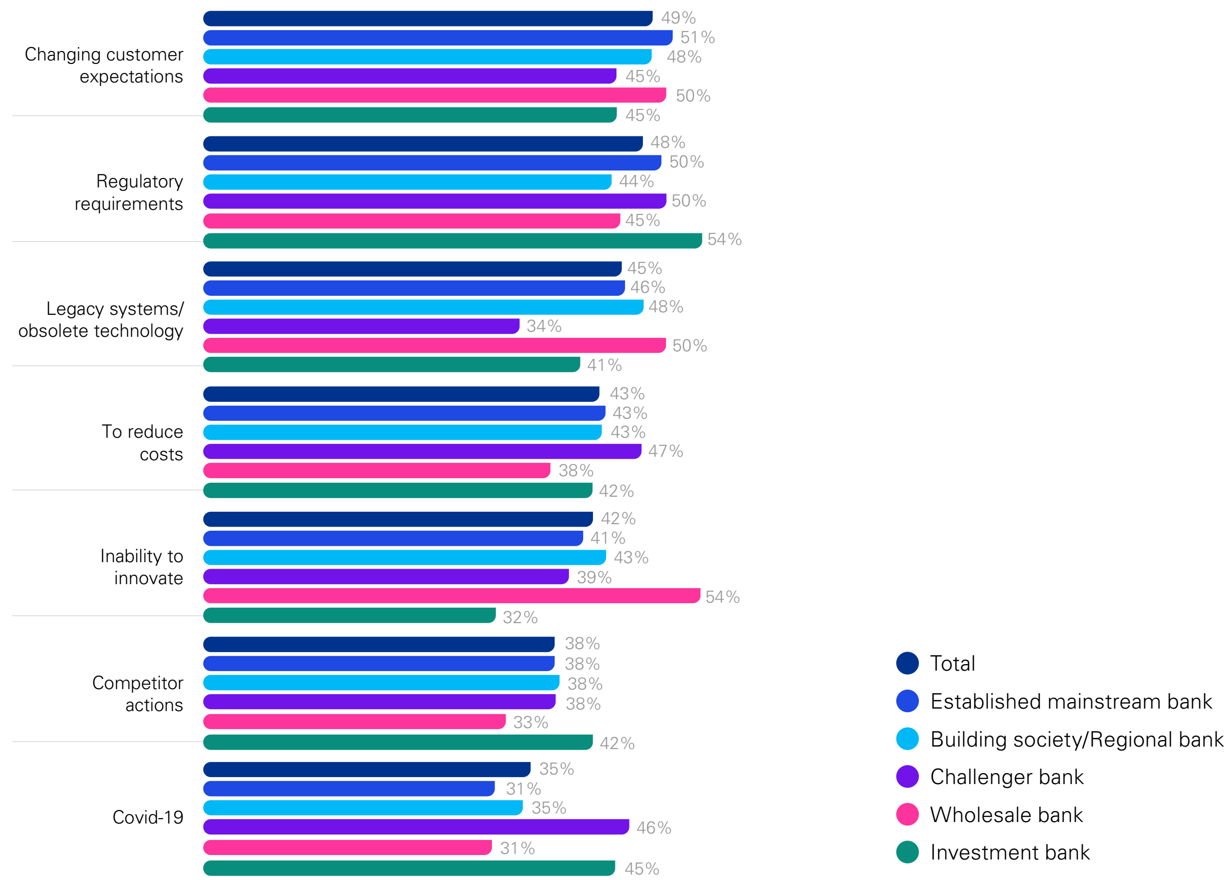
The need to respond to changing regulatory requirements is also an important driver in the sector, with 48% of Financial Institutions picking it out as one of the three most important triggers of their modernisation work. The need to update legacy systems and replace obsolete technology (45%) also looms large, while 43% of Financial Institutions point to the need to focus on cost reduction.

There are some sub-sector nuances here. For example, investment banks (54%) and challenger banks (50%) are particularly likely to point to regulation as a driver of their modernisation work. Wholesale banks reflect on the problems they currently face as they seek to innovate (54%) and are more likely to be concerned about their legacy technologies (50%).

Similarly, some types of Financial Institutions remain much more conscious of the impacts of the Covid-19 pandemic than others. Overall, 35% of Financial Institutions say the pandemic was one of the three most important factors triggering their payments modernisation programme; among challenger banks, the figure rises to 46%, but only 31% of established mainstream banks agree.

### Chart 1: Drivers for change

Key factors triggering payments modernisation programme (by organisation)




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

## 01 Global Overview / **Financial Institutions Analysis**

The scope of payments modernisation programmes is varied. More than six in 10 Financial Institutions (61%) include their payments engine in the scope of their project, with digital channel upgrades (55%), customer experience improvements (52%), API implementations (48%) and changes to core banking systems (46%) all commonly included in Financial Institutions' modernisation plans.

Some of our findings on scope are potentially surprising. For example, only 15% of Financial Institutions expect to include non-fungible products within the scope of their modernisation programmes, despite the increasing attention this area is getting in the marketplace.

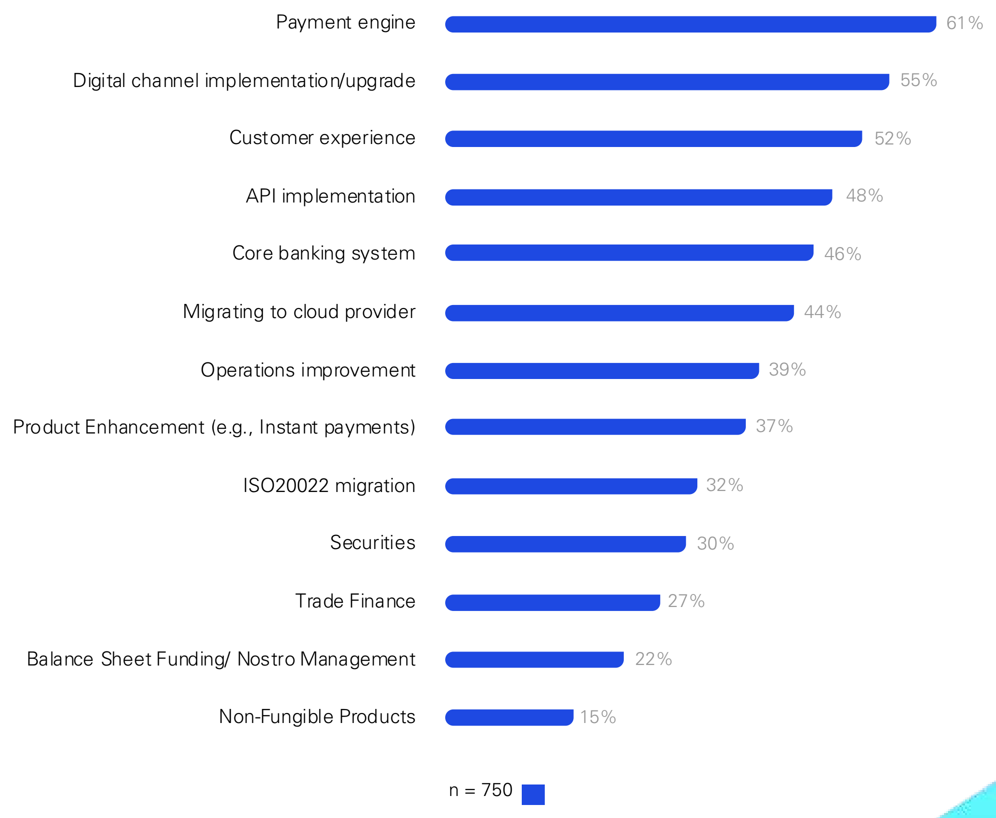
Inevitably, given the wide scope of these projects, many are expected to take some time to complete. While 35% of Financial Institutions have set a one to two year timescale for their payments modernisation programmes, 54% think two to three years is a more realistic target. And in some cases, modernisation is expected to take even longer.

The time required for modernisation also reflects the reality that these programmes are not without their challenges.

Many Financial Institutions point to a number of difficulties experienced during projects. Most significantly, 57% of Financial Institutions say integrating multiple systems is the issue that causes them most trouble as they pursue payments modernisation. This is the most commonly cited challenge for every single type of Financial Institution taking part in the research, other than wholesale banks.

**Chart 2: Scope of the payments modernisation programme**

A payments engine, followed by digital channel implementation/upgrade and customer experience are most commonly included in the scope.




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

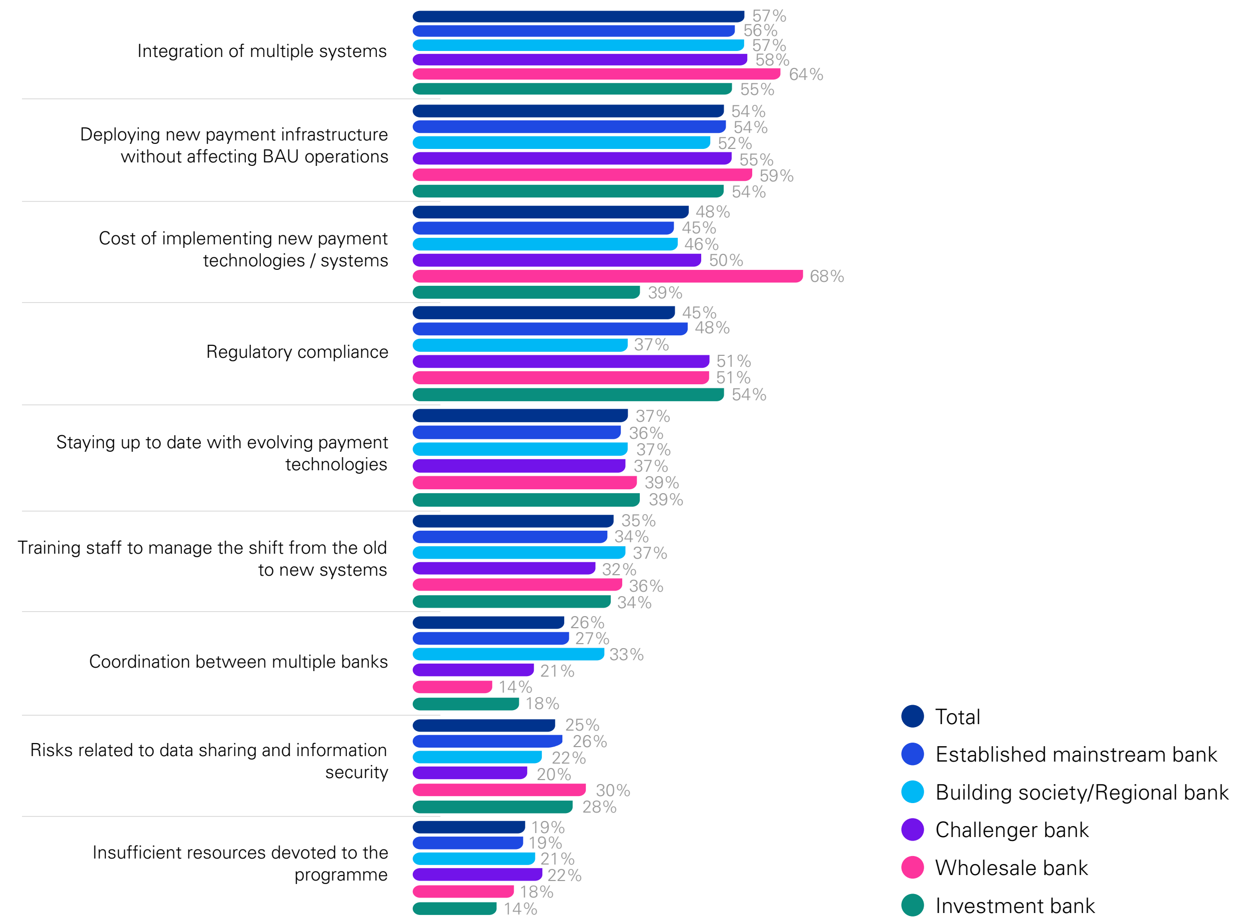
Other challenges include the need to deploy new payment infrastructure with no adverse impacts on business-as-usual operations (cited by 54% of Financial Institutions), the high cost of implementing new technologies and systems (48%), and the need to ensure regulatory compliance (45%).

Wholesale banks are particularly concerned about cost (68%), while compliance is a particular issue at investment banks (54%).

Nevertheless, the effort required to overcome these difficulties is expected to pay off, with customers set to benefit. Overall, Financial Institutions pick out retail customers and SMEs as most likely to benefit from modernisation, but different organisations naturally focus on what they can deliver to their customer base. Investment banks, for example, see major benefits for corporates and other Financial Institutions; more than two-thirds of challenger banks are pursuing better products and services on behalf of retail customers and SMEs.

It will be important to monitor closely whether these benefits are achieved. KPIs that Financial Institutions intend to use to measure transformation success relate to cost reduction (cited by 59%), transaction speed (51%) and fraud reduction (44%). Revenue growth, by contrast, is seen as less important, with only 24% picking it out as a key metric.

**Chart 3: Challenges of payments modernisation programme (by organisation)**
Whilst cost is in the top 3 challenges overall, it is a huge concern for Wholesale banks. Integration of multiple systems also a much bigger concern for Wholesale.




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Global Retailer Analysis

The leading expected benefits of the payments modernisation programmes:

- **Improved customer experience**
- **Faster transaction processing**
- **Long-term cost saving**

The most difficult challenges faced by respondents embarking on payments modernisation are:

- **Cost of implementing new payment technologies / systems**
- **Training staff to manage the shift from the old to new systems**
- **Deploying new payment infrastructure without affecting BAU operations**

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Transaction speed**
- **Cost reduction**
- **Adoption rate**

**87%**

of global Retailers already have payments modernisation programmes underway or have plans to launch one which is in line with other global regions.

**12 months**

is the average time since the last significant modernisation of payments capabilities. With 35% having completed a programme of such work within the last 6 - 12 months.

## $4.19 million is the average investment in a payments modernisation programme for Retailers

Around **44%** respondents said that their approximate budget for payments modernisation programme is between **$2 and $5 million.**

**23**

is the average number of people allocated to work on modernisation programmes.

**58%**

respondents cited that changing customer expectations is the most significant factor which is triggering the payments modernisation programme.

**89%**

have/are planning to outsource any part of the modernisation programme, with payment processing services, technology infrastructure, and security and compliance are being most commonly outsourced.

KPMG

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

## Retailer in detail

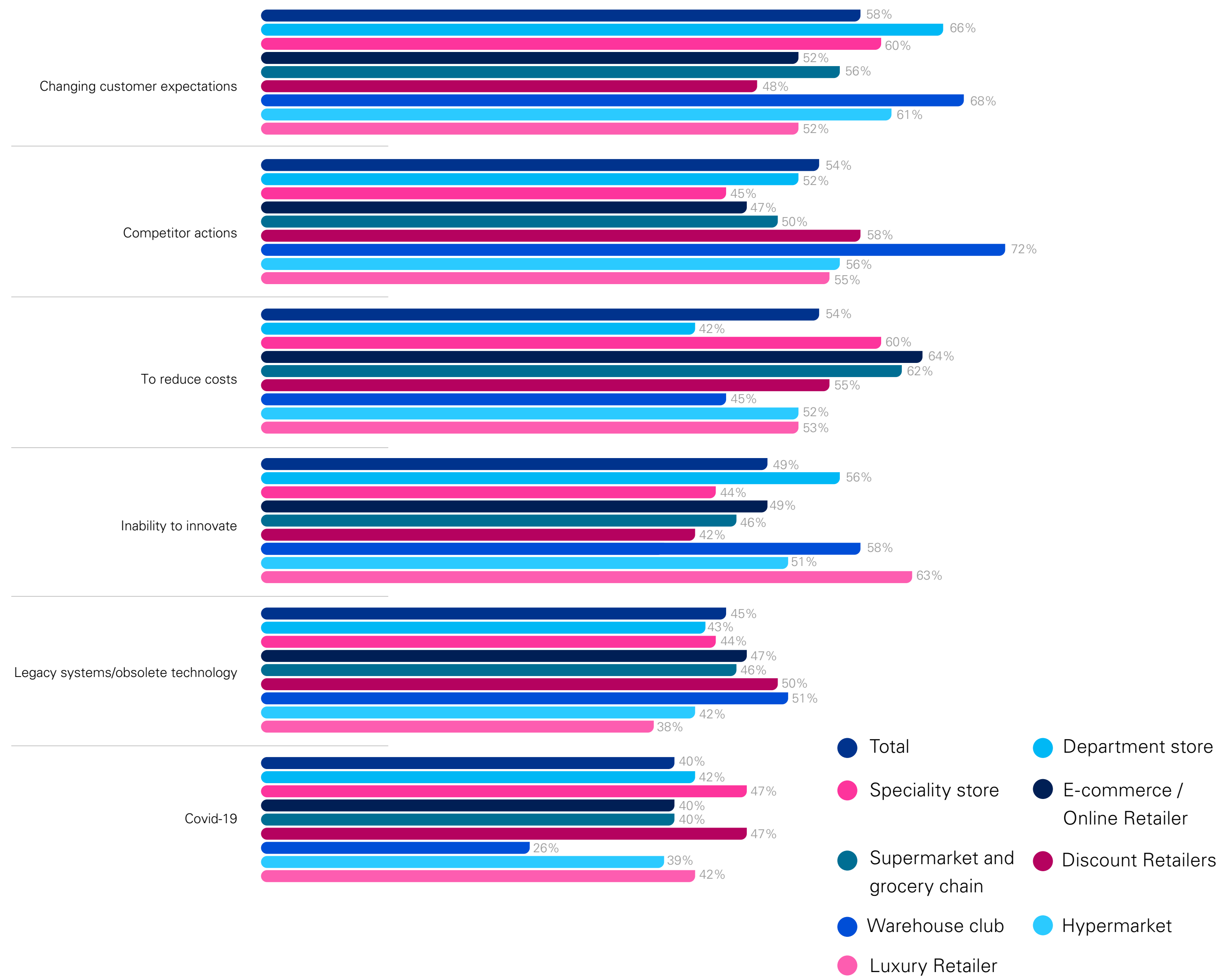
Like Financial Institutions, Retailers are most likely to say that changing customer expectations represented a major trigger of their payments modernisation work. Some 58% of Retailers taking part in this research say this was one of the top three reasons for undertaking their programme or for planning further modernisation. But the need to respond to competitor actions and to reduce costs, both cited by 54% of Retailers, have also been significant drivers of change programmes in the retail sector.

However, motivations vary from one sub-sector to another. For example, almost two-thirds of luxury Retailers (63%) say an inability to innovate was an important trigger for payments modernisation; 50% of discount Retailers single out the need to replace legacy systems and obsolete technology.

Online Retailers were the most likely to describe cost reduction as a trigger for payments modernisation (64%), while warehouse clubs are particularly concerned about the actions of their competitors (72%).

By contrast, the relevance of the Covid-19 pandemic in the context of payments modernisation now seems to be receding. Only 40% of Retailers describe the pandemic as a trigger for payments modernisation – the figure does rise to 47% amongst specialty Retailers and discount Retailers, but only 26% of warehouse clubs pick out Covid in this way.

**Chart 4: Key factors triggering payments modernisation programme (by organisation)**
Key factors triggering payments modernisation programme




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

## 01 Global Overview / **Retailers Analysis**

The scope of work planned by Retailers is also varied, often reflecting the subtleties of different parts of the sector. Overall, implementation (or upgrading) of digital payment capabilities is the most commonly cited priority for Retailers, with 61% including this objective as part of their scope of work. Next, 58% of Retailers say adding new payment methods to existing options is in scope for their modernisation project, while 46% point to the need for operational improvements.

Digital payment capabilities are particularly important to luxury Retailers (73%), supermarkets (67%) and department stores (65%), while online Retailers (53%), are less likely to stress this goal, perhaps since they already offer such capabilities. Still, 67% of online Retailers are committed to adding new payment methods, ahead of most other sub-sectors.

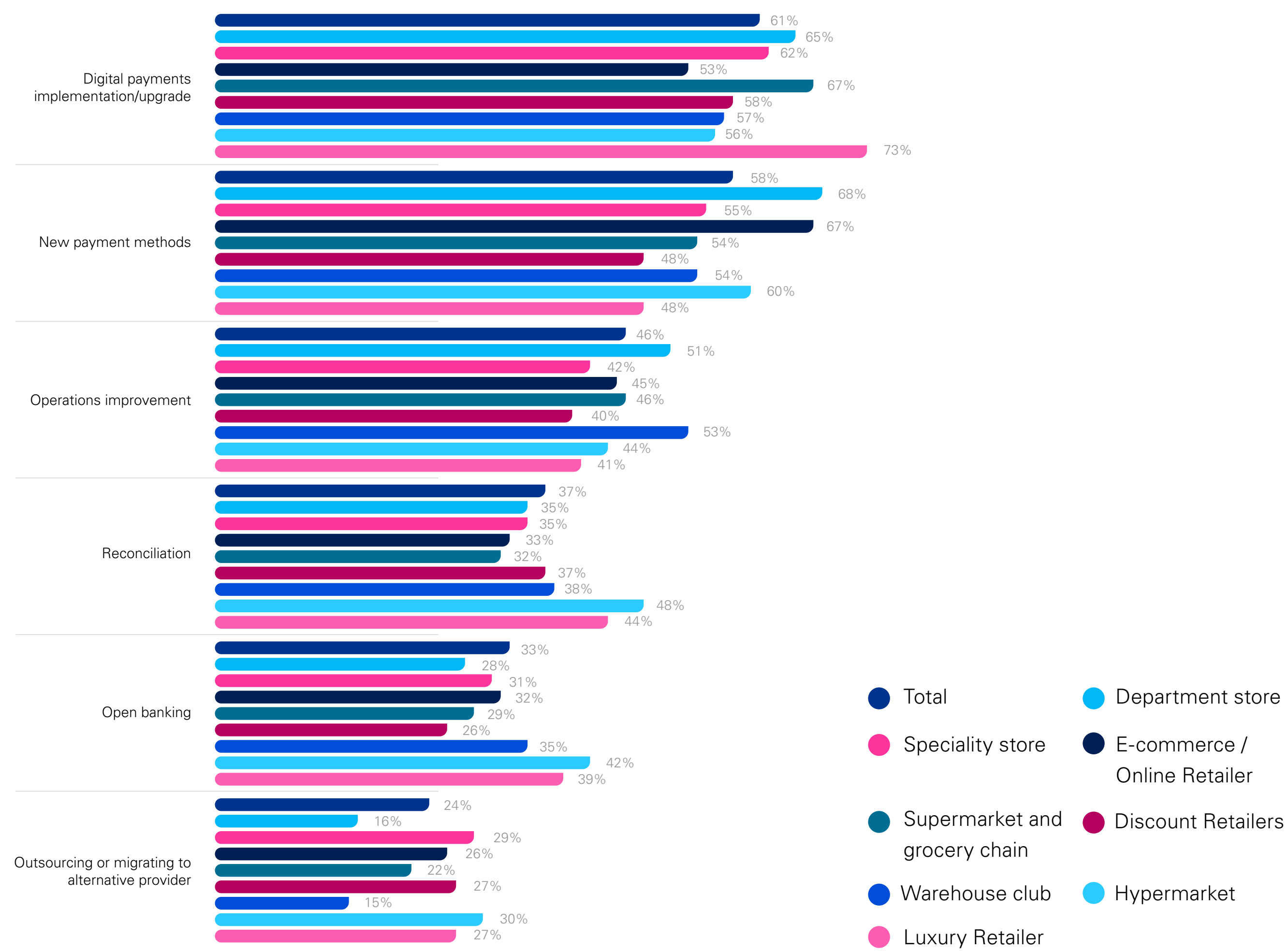
On this latter point, digital wallets and apps are likely to be at the forefront of innovation. More than two-thirds of Retailers (69%) already offer a digital wallet or intend to do so, with the industry taking its lead from the e-commerce sector, where this figure rises to 95%. Similarly, 60% of Retailers already offer digital apps or plan to launch one. Loyalty cards (38%) and store cards (34%) are less of a priority across the industry as a whole, though specialty stores and department stores are more interested in this area.

Other activities are less commonly found in the scope of Retailers' payments modernisation programmes, but that is not to suggest they are unimportant – and parts of the industry may be particularly keen to achieve goals in these areas.

For example, 37% of Retailers are focused on improvements to reconciliation; this is a priority for 48% of hypermarkets. These large Retailers are also more concerned about Open Banking initiatives, with 42% saying these are in-scope for their modernisation programmes, against 33% overall.

And while 24% of Retailers overall are working on outsourcing or migrating payments infrastructure to alternative providers, 29% of specialty stores are focused on this area.

### Chart 5: Scope of the modernisation programme (by organisation)




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

## 01 Global Overview / **Retailers Analysis**

Achieving these payments modernisation goals is rarely straightforward, with Retailers pointing to a number of challenges with which they must grapple.

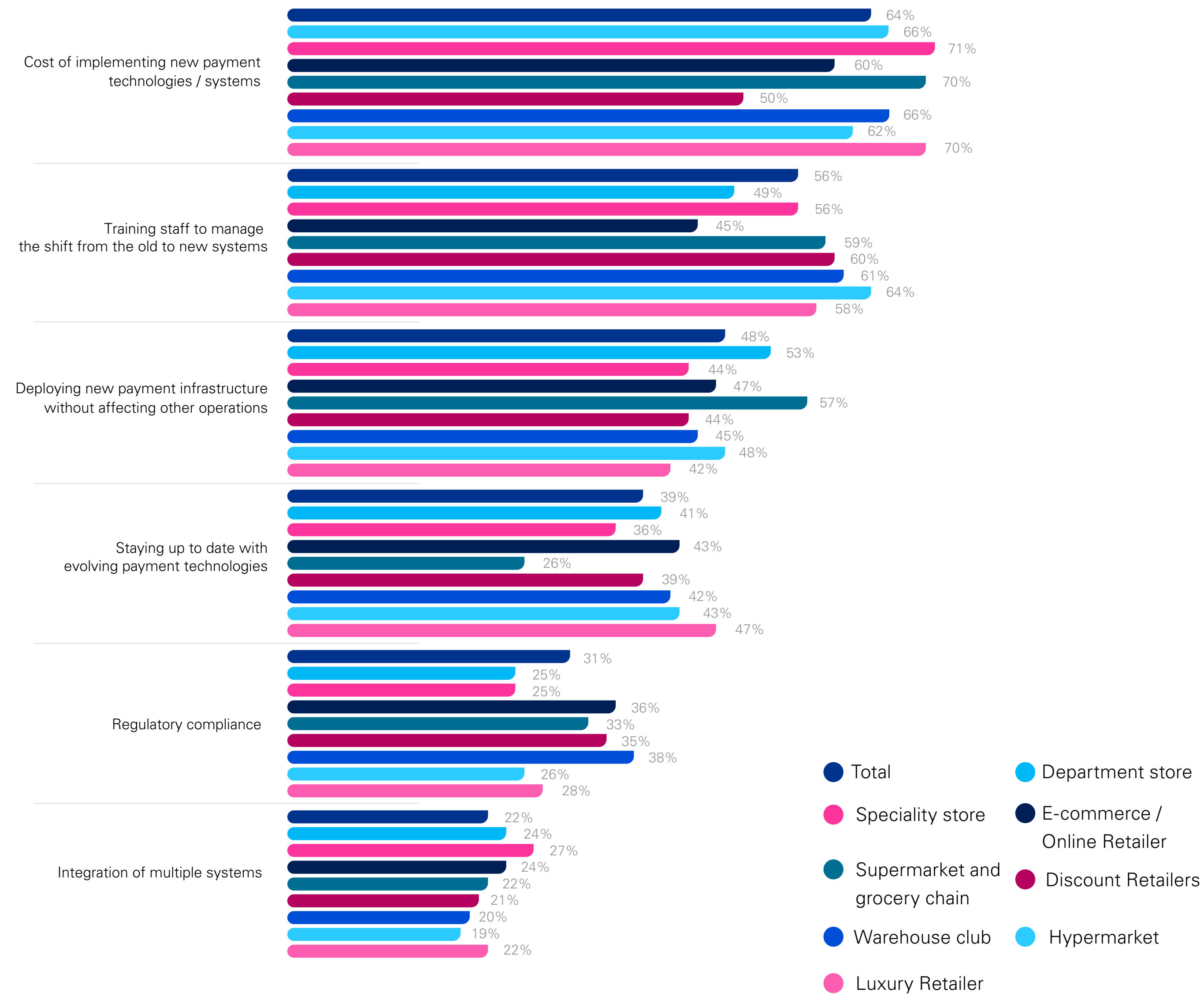
Most strikingly, 64% of Retailers are worried about the cost of implementing new payment technologies and systems. Among specialty stores, this figure rises to 71%, while 70% of supermarkets and luxury Retailers express this concern.

In addition, 56% of Retailers point to the need to train staff to manage the shift from old to new systems. Here, hypermarkets are most likely to be worried by this challenge, with 64% expressing concern, though warehouse clubs (61%) and discount Retailers (60%) are not far behind.

The third biggest challenge facing the sector is the need to deploy new payments infrastructure without disrupting other operations – 48% of Retailers overall pick this out as a potential obstacle to overcome. Supermarkets (57%) and department stores (53%) are most worried here.

Other issues attract less concern, though that is not to dismiss them entirely. For example, while only 39% of Retailers overall point to concerns about how they will stay up to date with evolving payment technologies, 47% of luxury Retailers are worried about this challenge.

**Chart 6: Main challenges in payments modernisation programme (by organisation)**



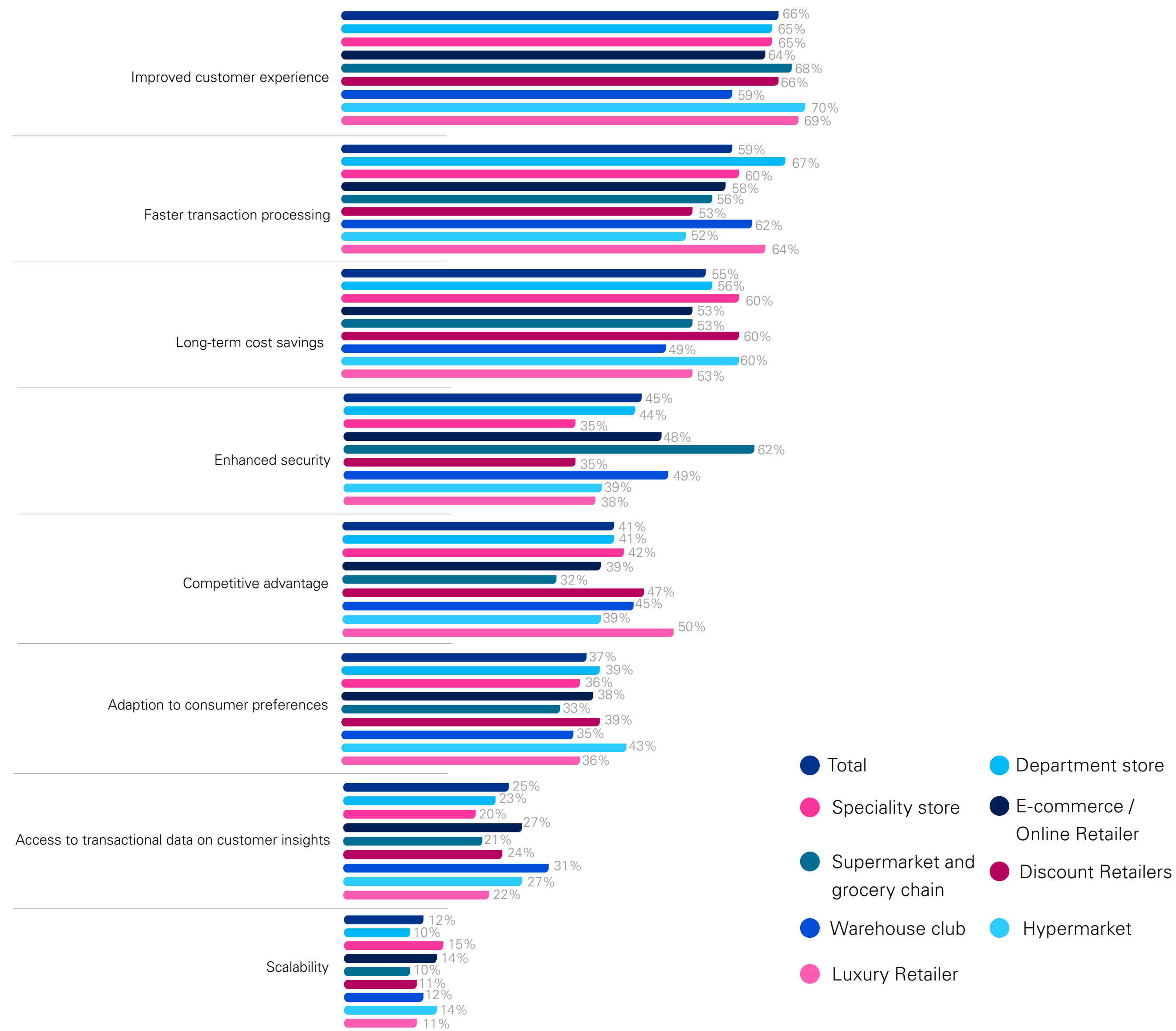

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

## 01 Global Overview / **Retailers Analysis**

Keeping the end goals of transformation front of mind will be crucial in moving past these challenges. Two-thirds of Retailers (66%) see improved customer experience as a potential benefit from payments modernisation, with 59% and 55% respectively excited by the prospect of faster transaction processing and long-term cost savings. Other key benefits are expected to include enhanced security and competitive advantage.

The KPIs selected by Retailers as important in measuring the success of their payments modernisation programmes largely reflect these hoped-for benefits. For example, 59% expect to focus on transaction speed while 55% will be keeping a close eye on cost reduction. However, surprisingly, only 28% cite fraud reduction as a KPI they will use to measure success.

**Chart 7: Expected benefits of payments modernisation programme (by organisation)**




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# UK and Europe

**Financial Institutions in the UK and Europe have much in common in their approach to payments modernisation activities, but there are also key differences. The region is the second largest financial services market in the world, with more than 4 million people employed. The market is highly fragmented between traditional large-scale banks, regional providers and newcomers looking to gain market share – often through strong customer offerings, be that through technology or products.**

UK and Europe is the base for a number of global banks, with many in operation for generations. The size and span of these does make wholesale change difficult and some have made efforts to centralise processes, including payments, to then service the group in different countries.

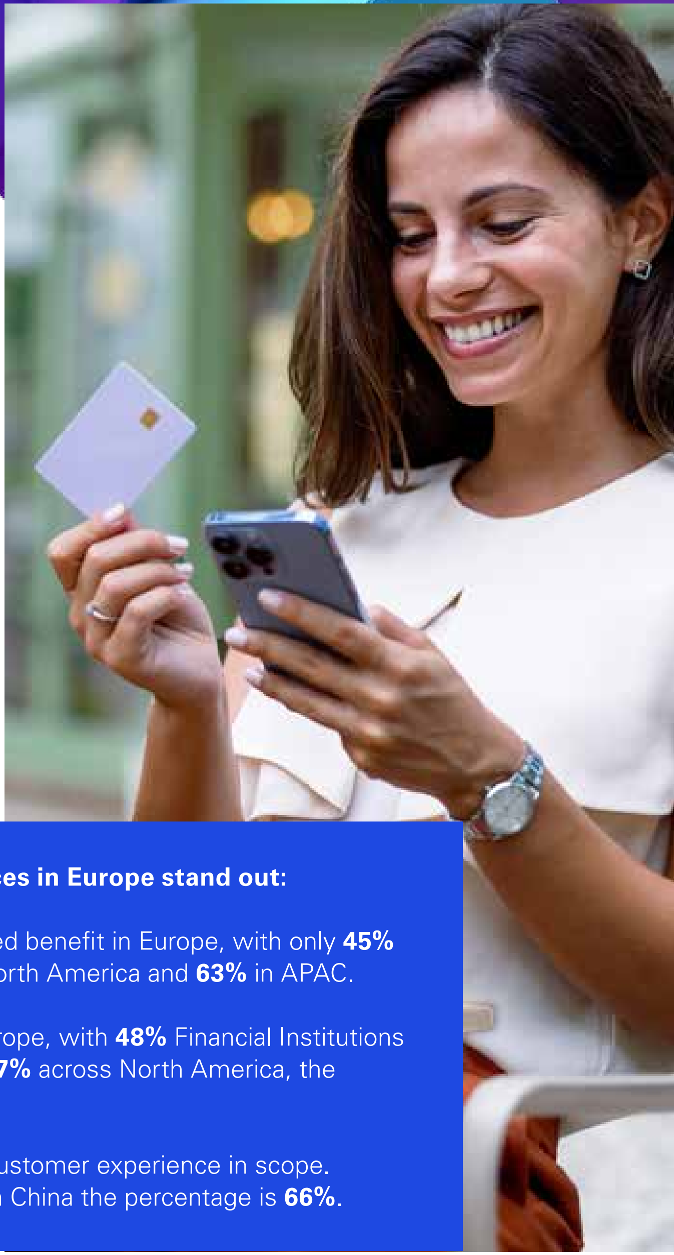
Our research highlights that Financial Institutions' budgets are broadly aligned across the different countries of Europe. They also share many of the key drivers for modernisation – notably changing customer expectations and regulatory requirements – and cite similar challenges, including the difficulties of system integration and deployment into BAU.

Some 61% of European Financial Institutions agree that long-term cost savings is the main expected benefit of payments modernisation, and KPIs are also aligned, with 55% using cost reduction as the main measure of success. Elsewhere, 62% of European Financial Institutions include payment engines in scope, and 51% are including digital channel implementation/upgrades.

While there is alignment across Europe that long-term cost savings is a key benefit of modernisation, opinion is more divided on the other expected benefits. For example, the UK is expecting improved customer experience, whereas France believes modernisation will give them a competitive advantage and Spain expects faster transaction processing.

Similarly, on key drivers, while the UK and Italy are particularly driven by regulatory requirements, Germany sees legacy systems as the main driver for change. France and the Netherlands are more concerned with the inability to innovate.

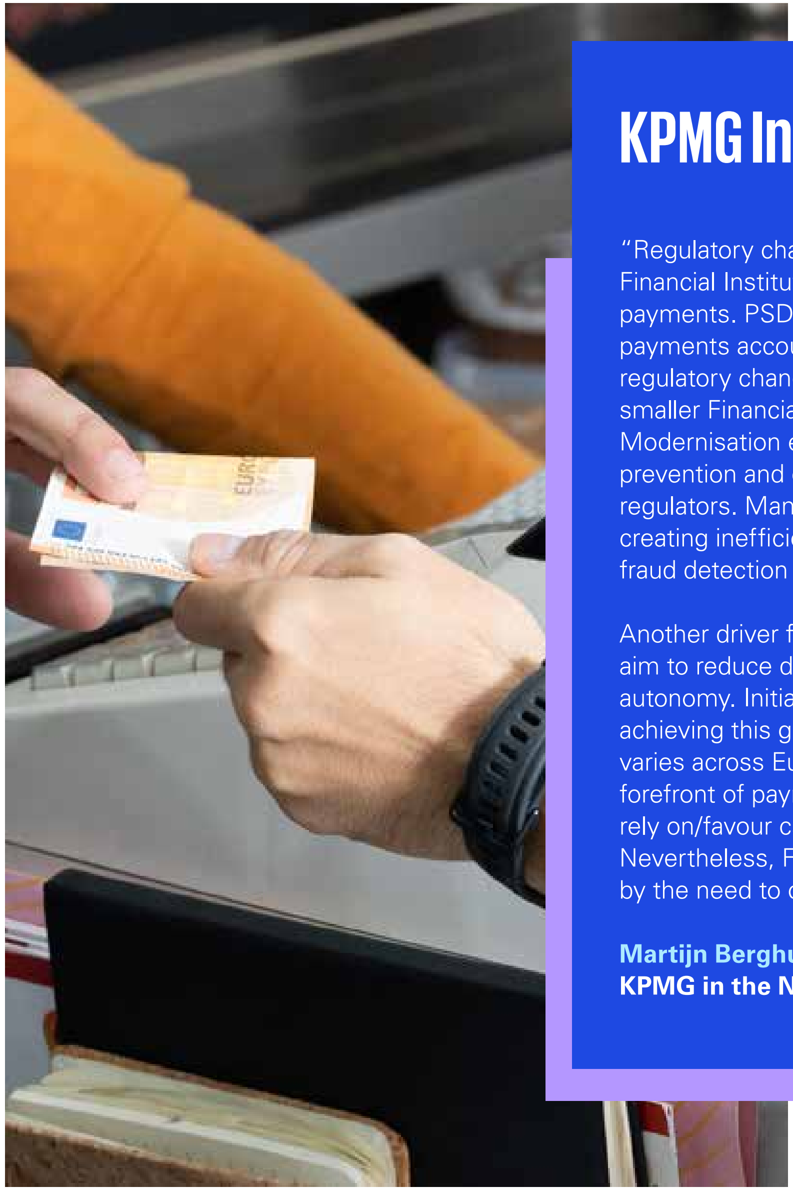
Countries also differ on the extent to which they prioritise customer experience in scope. For example, in Germany and France, it is included by 55% and 56% respectively. However only 36% and 37% of UK and Switzerland Financial Institutions respectively include it.



**Compared to the global picture, a number of key differences in Europe stand out:**

- Faster transaction processing is less likely to be an expected benefit in Europe, with only **45%** of Financial Institutions expecting it compared to **57%** in North America and **63%** in APAC.
- Whilst deployment into BAU is an important concern in Europe, with **48%** Financial Institutions seeing it as a challenge, this is lower than the average of **57%** across North America, the Middle East, and APAC.
- Only **47%** of European Financial Institutions are including customer experience in scope. In North America, **58%** include customer experience and in China the percentage is **66%**.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



# KPMG Insight

"Regulatory changes in Europe have spurred modernisation programmes within Financial Institutions as they strive to comply with new requirements, such as instant payments. PSD3, while still in its early stages, is already influencing the development of payments accounts and fostering a more open ecosystem for financial products. Whilst regulatory changes drive modernisation, they also present challenges, and some smaller Financial Institutions are overwhelmed with the cost of complying. Modernisation efforts are partly driven by a desire to reduce costs in this area. The prevention and detection of fraud is another focus for both Financial Institutions and regulators. Many banks still rely on manual processes for transaction monitoring, creating inefficiencies. Technological modernisation is therefore crucial to enhance fraud detection and improve operational efficiency.

Another driver for modernisation is the European Digital Agenda, which includes the aim to reduce dependence on US-based payment providers and foster European autonomy. Initiatives such as the development of a digital euro will be key drivers in achieving this goal. Despite shared goals and challenges, the pace of modernisation varies across Europe. Countries such as the Netherlands and the Nordics are at the forefront of payments innovation, whilst other countries, such as Germany, continue to rely on/favour cash, and have seen a slower adoption of technological advances. Nevertheless, Financial Institutions all across Europe are pursuing modernisation, driven by the need to comply with regulations, reduce costs, and embrace innovation."

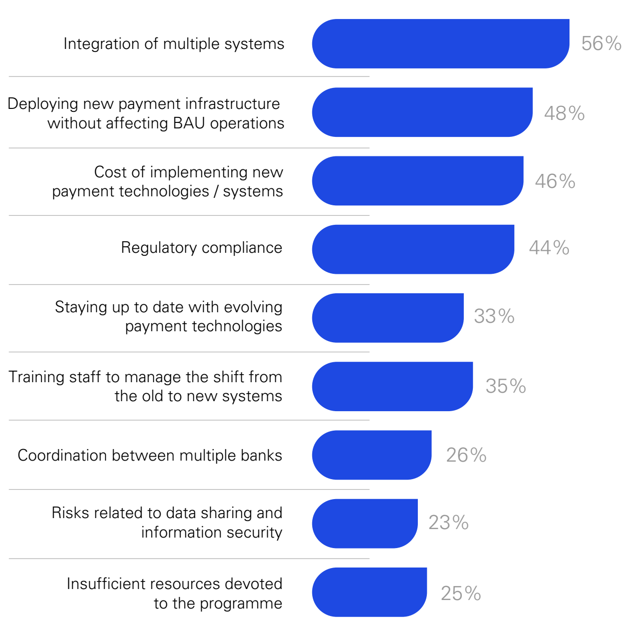
**Martijn Berghuijs, Partner, Fintech & Payments**
**KPMG in the Netherlands**

KPMG

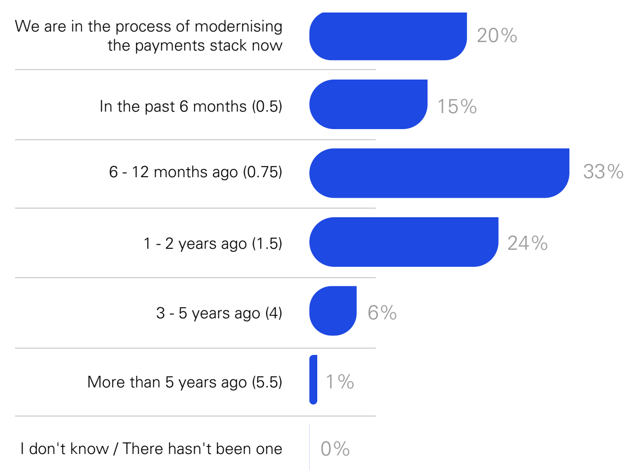
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Europe Analysis for Financial Institutions

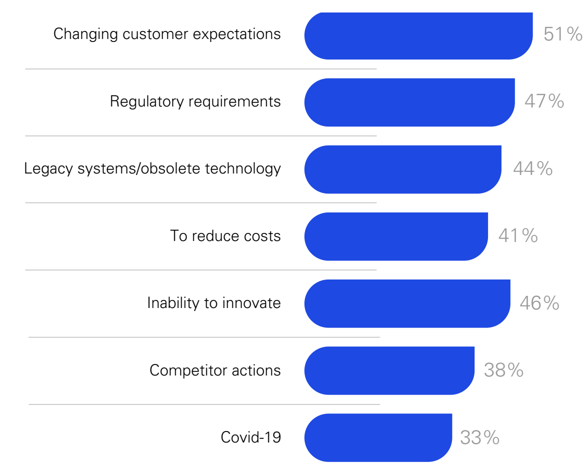
### Challenges faced in payments modernisation




### Significant modernisation status



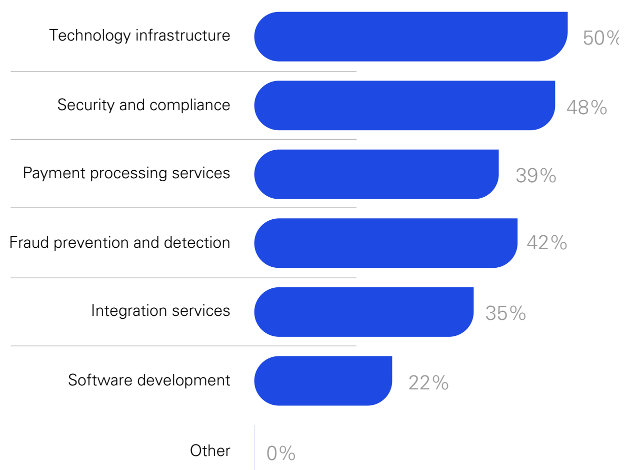

### Drivers for change



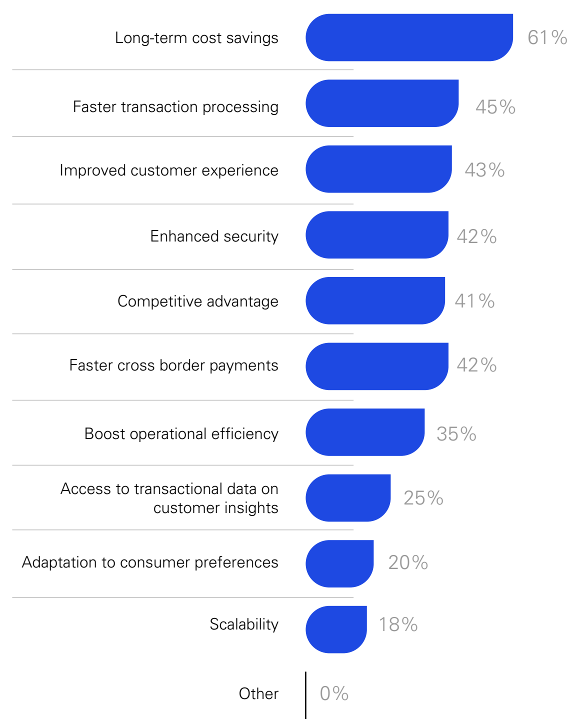

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Europe Analysis for Financial Institutions (cont.)

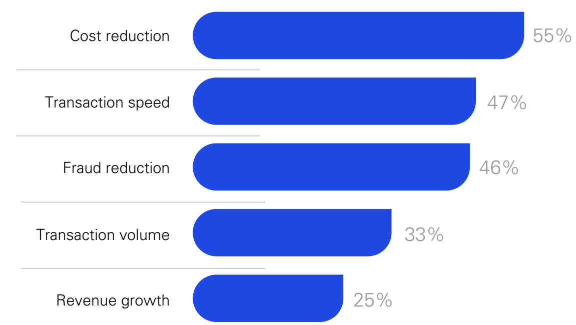
### Infrastructure which is most commonly outsourced

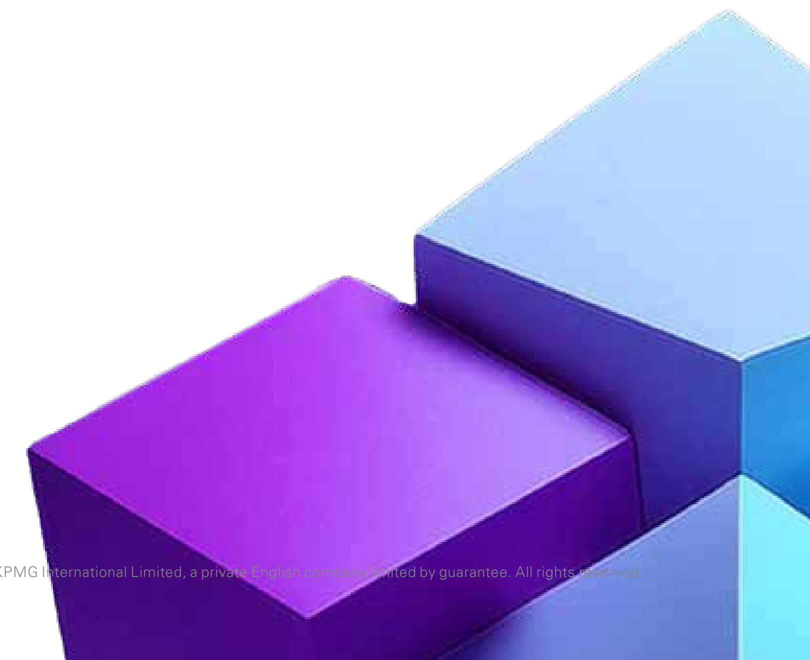



### Biggest perceived benefits




### Most common KPIs



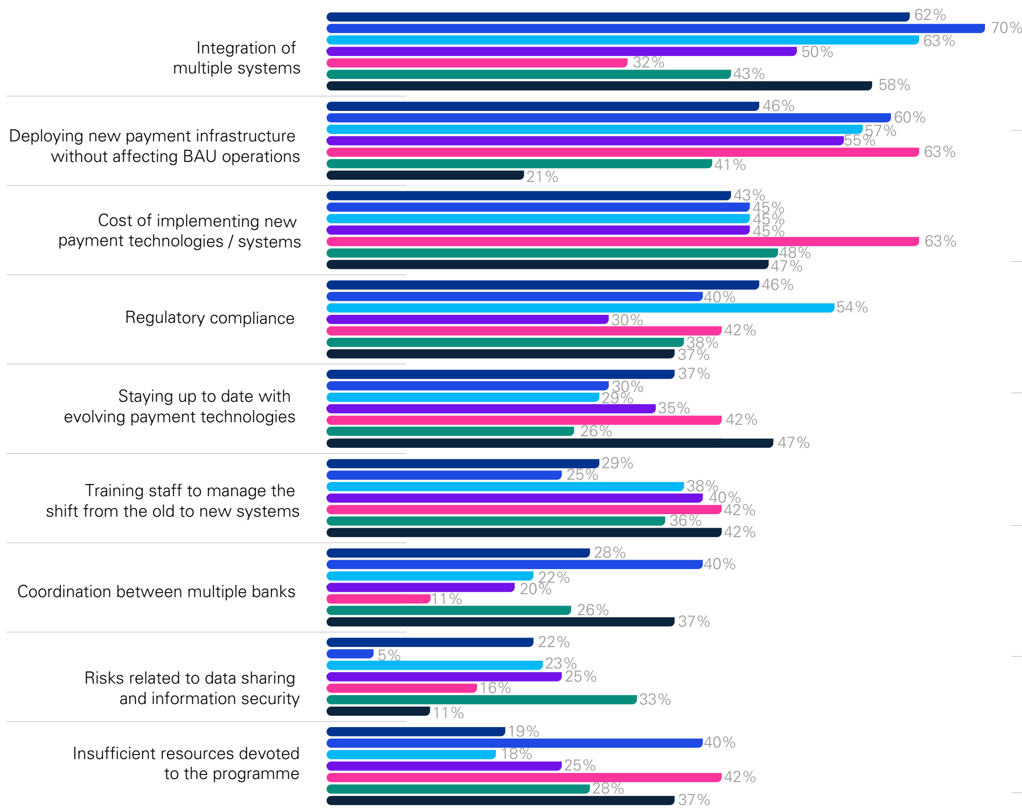



KPMG

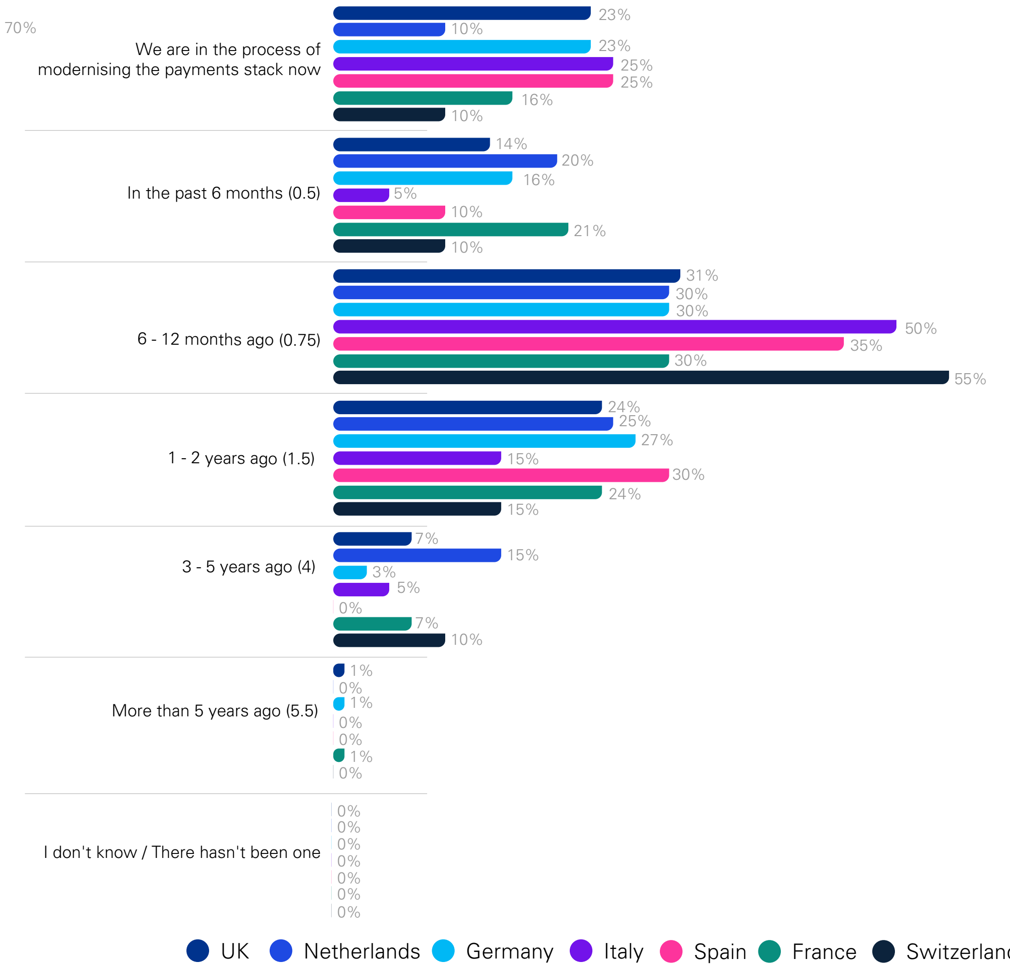
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Europe Analysis for Financial Institutions (cont.)

## Challenges faced in payments modernisation (by country)



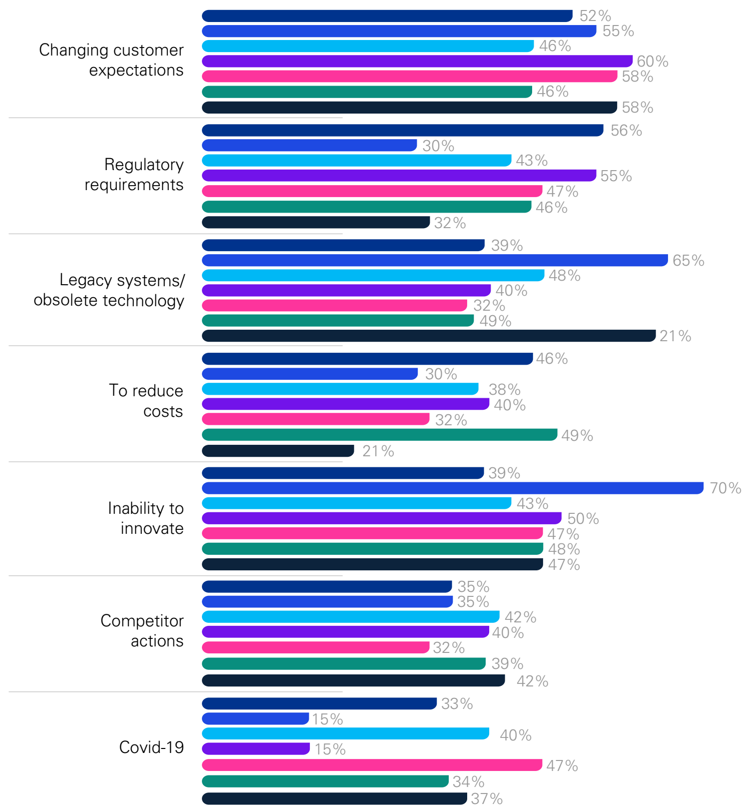

## Significant modernisation status (by country)



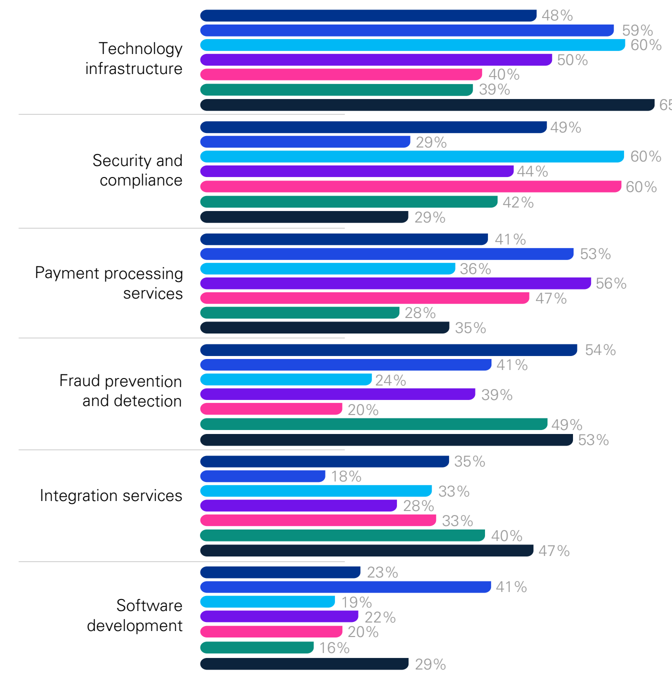

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Europe Analysis for Financial Institutions (cont.)

### Drivers for change (by country)




### Infrastructure which is most commonly outsourced (by country)

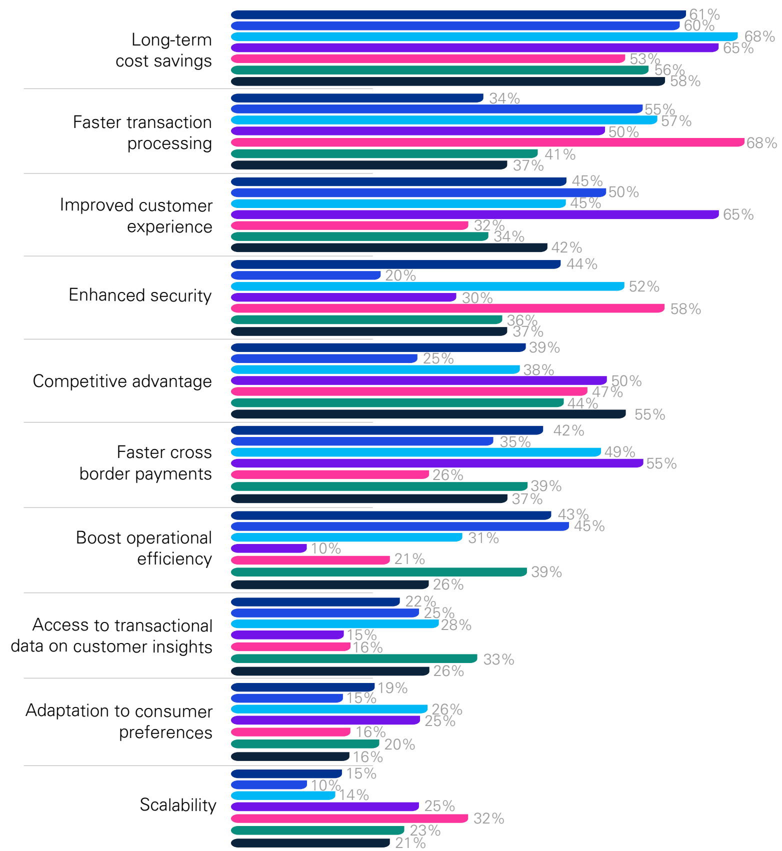



UK Netherlands Germany Italy Spain France Switzerland

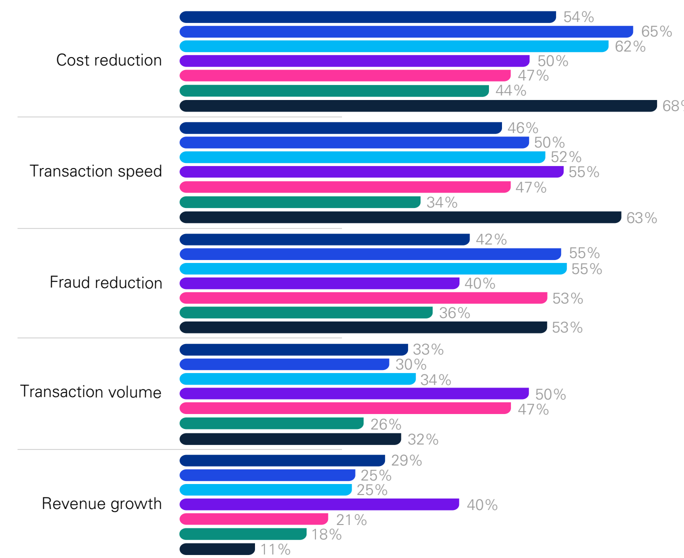
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Europe Analysis for Financial Institutions (cont.)

## Biggest perceived benefit (by country)




## Most common KPIs (by country)




UK   Netherlands   Germany   Italy   Spain   France   Switzerland

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

**For European Retailers, meanwhile, it is important to recognise that the landscape is experiencing a period of significant change, driven by several key factors. The rise of e-commerce in particular is having a large impact.**

Retailers are also realising the need to utilise data analytics and personalise their offerings to meet evolving consumer demands whilst keeping up with competitors. Consumer expectations about convenience, value, and speed of payments are increasing, prompting Retailers to invest in new technologies.

Keeping up with this amount of change is a challenge; modernisation will be costly for Retailers and staff must be trained to manage the shift. However, the growth of e-commerce and the changing expectations of consumers offer significant potential for Retailers that can adapt and embrace new technologies.

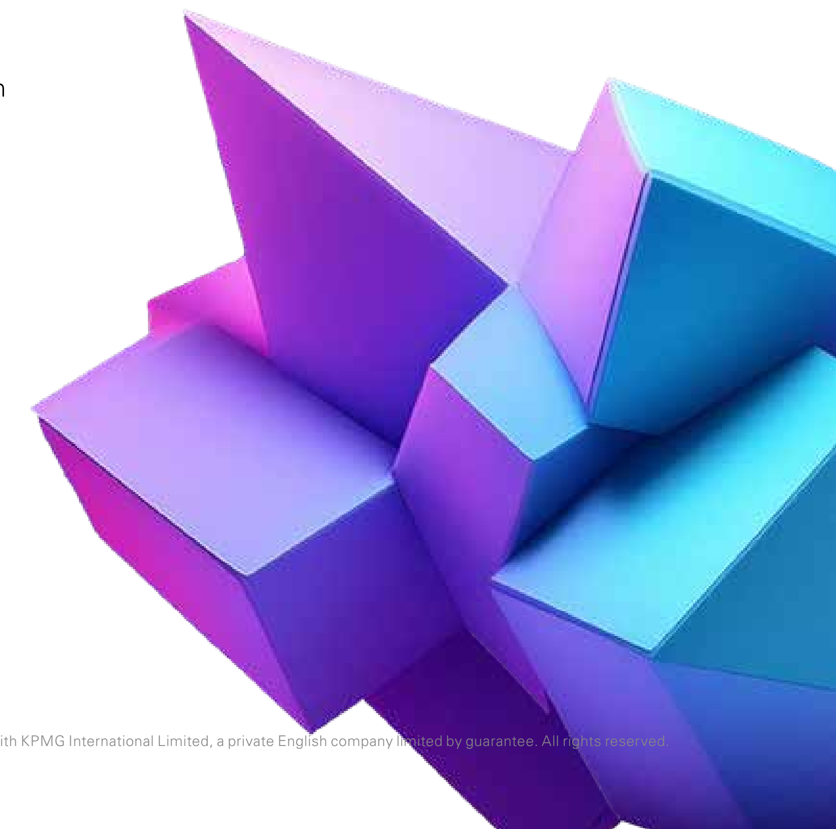
As with Financial Institutions, Retailers' budgets are broadly aligned across individual countries. They share key drivers for payments modernisation, including changing customer expectations and competitor actions. Similarly, many Retailers point to challenges including the cost of implementation and training staff.

There is also consensus on the main expected benefits of modernisation, with European Retailers looking forward to improved customer experience and faster transaction processing. 61% are including digital payments implementation/upgrades in scope while 55% are including new payment methods. Their KPIs are also aligned, with transaction speed and cost reduction commonly cited as key metrics.

**As with the Financial Institutions, compared to the global picture in the retail sector, a number of key differences in Europe stand out:**

- Enhanced security is more likely to be an expected benefit in Europe, with **52%** anticipating it, against **39%** in North America and **42%** in the Middle East.
- Staying up to date with evolving payment technologies is less of a concern for Retailers in Europe, with **31%** seeing it as a challenge compared with an average of **50%** across North America, the Middle East and APAC.
- **49%** of Retailers in Europe see competitor actions as an important modernisation trigger, whilst **59%** are driven by this in APAC and **68%** in the Middle East.

However, our research also highlights nuances, particularly on key drivers for modernisation. For example, Retailers in the Netherlands are more driven by their current inability to innovate. Both Switzerland and Germany are particularly driven by the need to overhaul legacy systems and obsolete technology. Covid-19 has also been a key driver of modernisation, with almost half of respondents highlighting this.



KPMG

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# KPMG Insight

"The most common global payments modernisation trends for Retailers are mirrored in Europe. There is the aspiration to advance digitally to meet expectations around customer experience. There is also a proliferation of new payment methods, especially on online channels.

Up until recently, Retailers were almost entirely turning to banks as providers for payments services. However, there is starting to be shift from this as Payment Service Providers (PSPs) and other technology companies begin to gain more control over the market. Merchants want payments platforms that require minimal integration and have low technical complexity, something PSPs allow that traditional banks struggle to do. Banks are now realising that they cannot cope with this shift alone. They are turning to partnerships, either with PSPs or between themselves, to address the market more efficiently and with more innovation from a technical standpoint.

Modernisation of payment methods is more visible online than offline, with no signs of card replacement by any other payment method in-store. Contactless has been a very strong driver of card growth in the last years, both through mobile and card transactions. Online, there is more space for alternative payment methods to grow, such as wallets and BNPL."

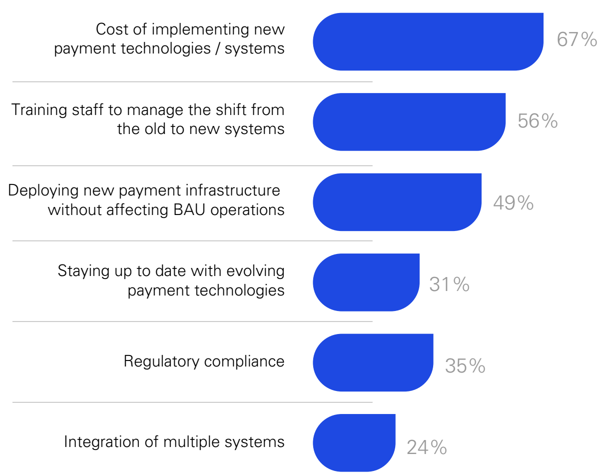
**Zakaria Bouazzaoui, Director Advisory**
**KPMG in France**

**Guillaume Petipas, Partner Advisory**
**KPMG in France**

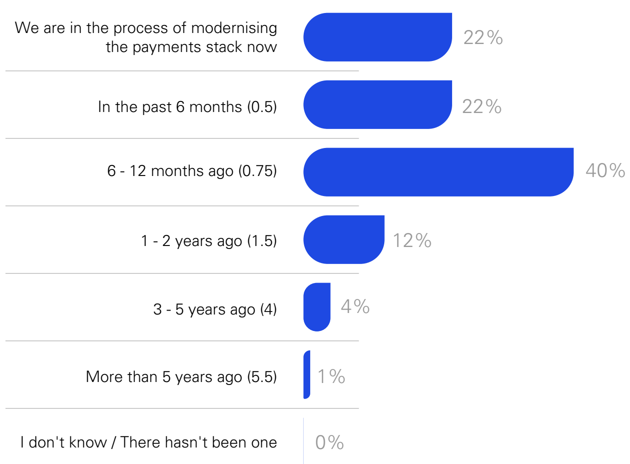
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Europe Analysis for Retailers

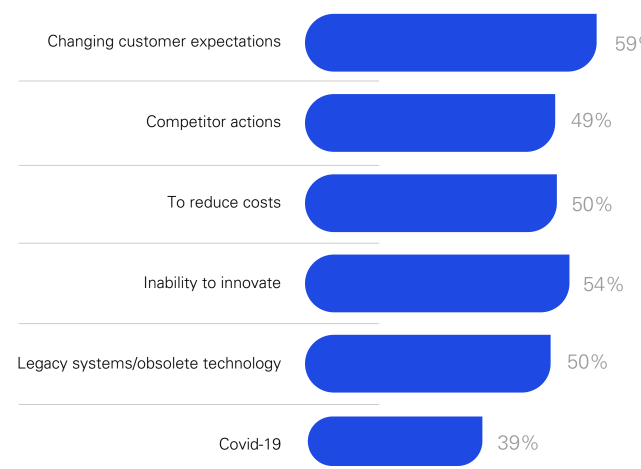
### Challenges faced in payments modernisation




### Significant modernisation status




### Drivers for change

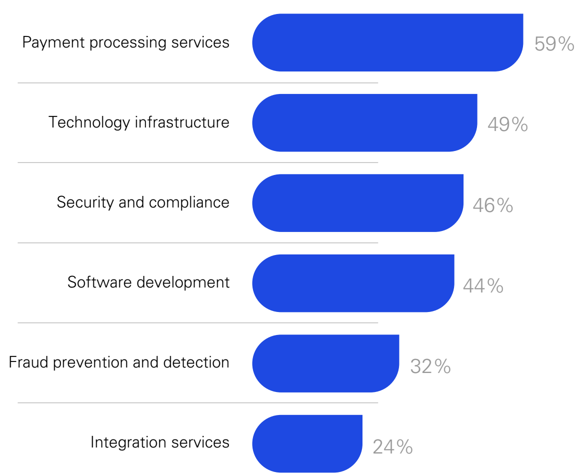




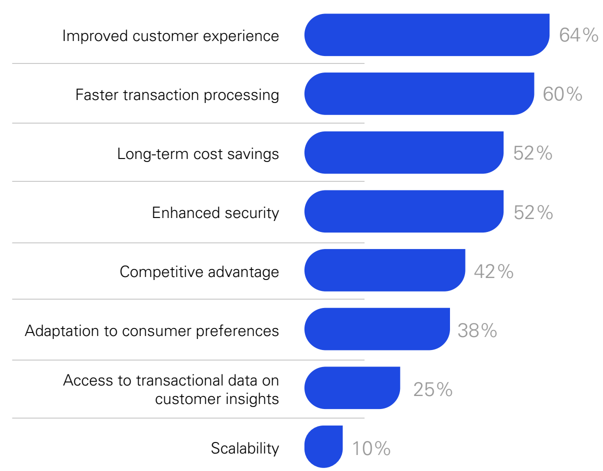

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Europe Analysis for Retailers (cont.)

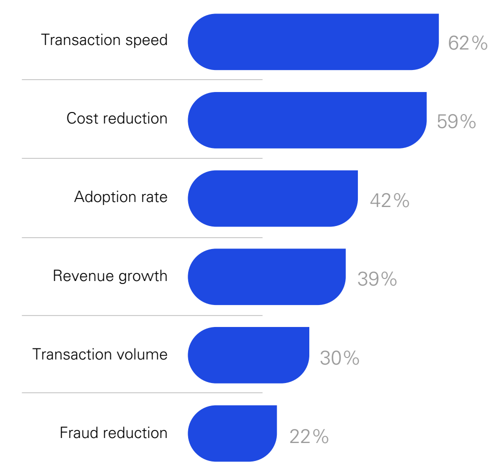
## Infrastructure which is most commonly outsourced




## Biggest perceived benefits



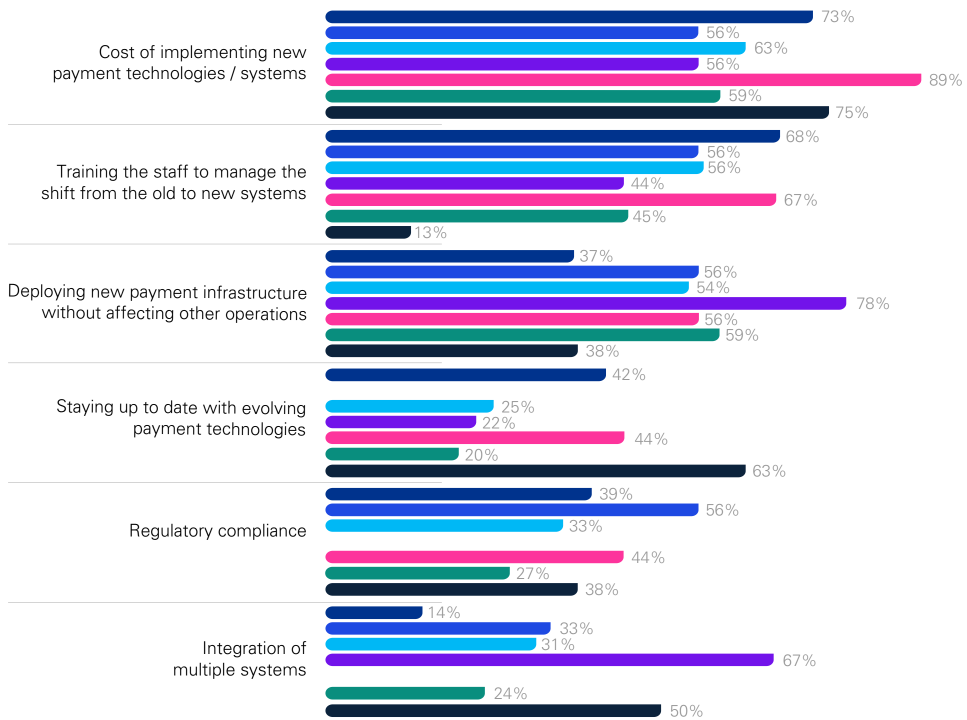

## Most common KPIs



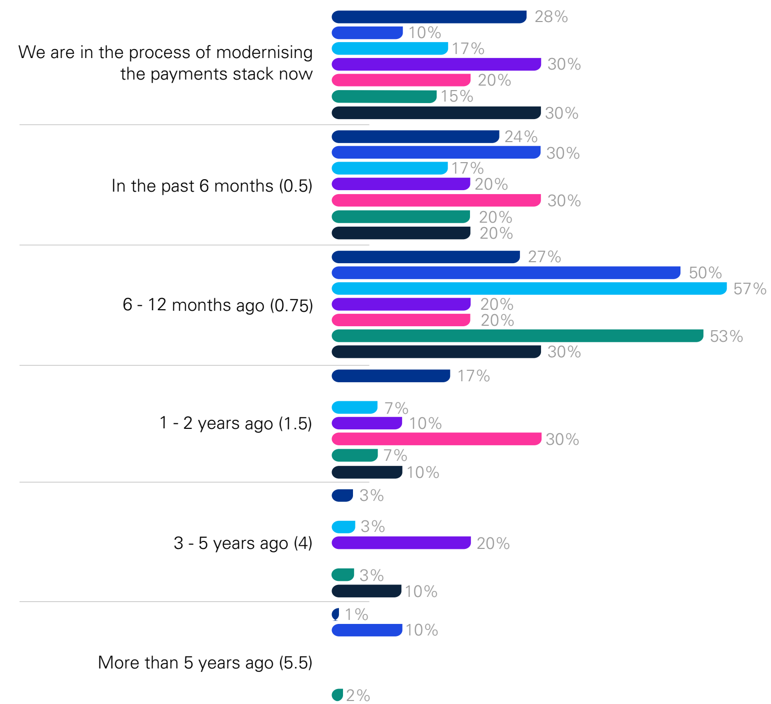

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Europe Analysis for Retailers (cont.)

## Challenges faced in payments modernisation (by country)




## Significant modernisation status (by country)



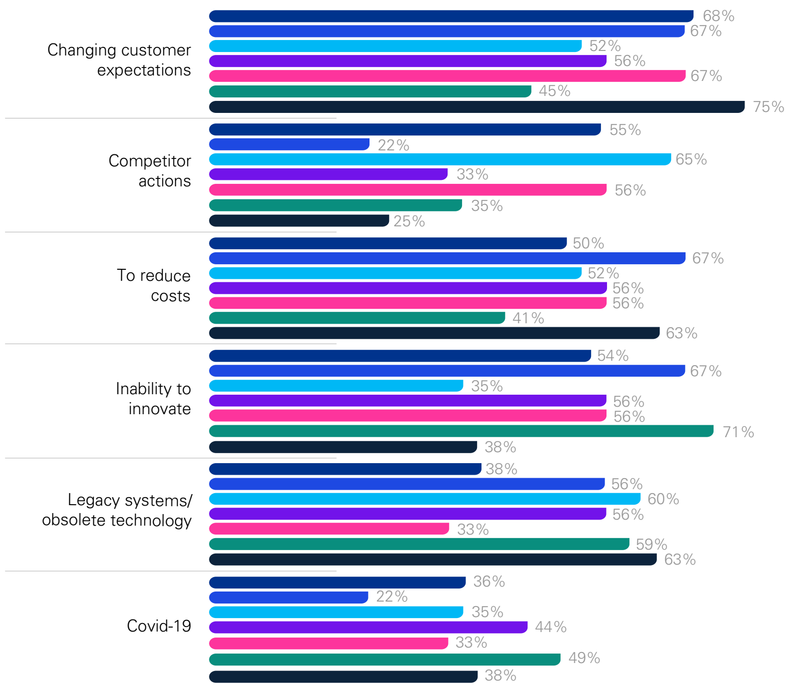

UK · Netherlands · Germany · Italy · Spain · France · Switzerland

KPMG

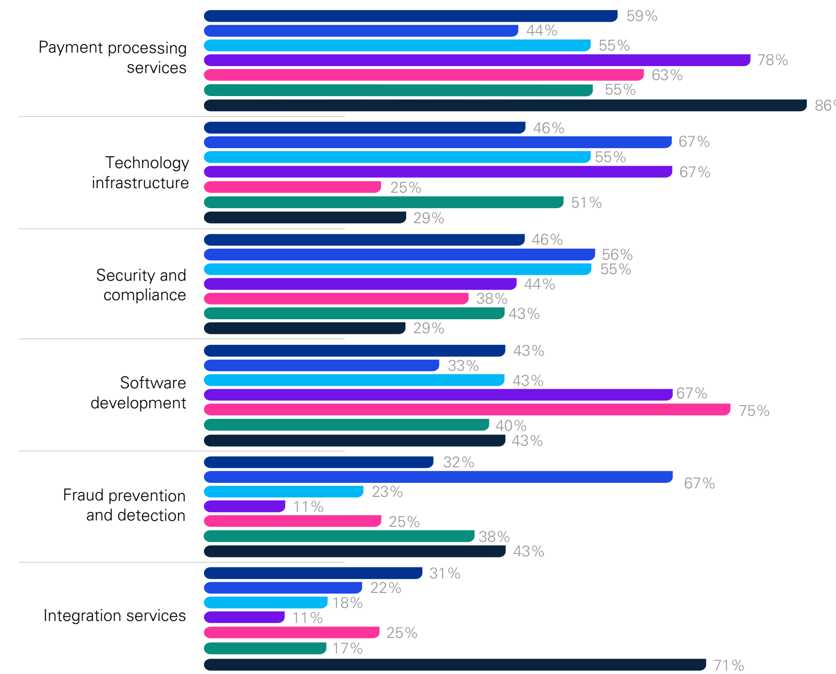
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Europe Analysis for Retailers (cont.)

### Drivers for change (by country)




### Infrastructure which is most commonly outsourced (by country)

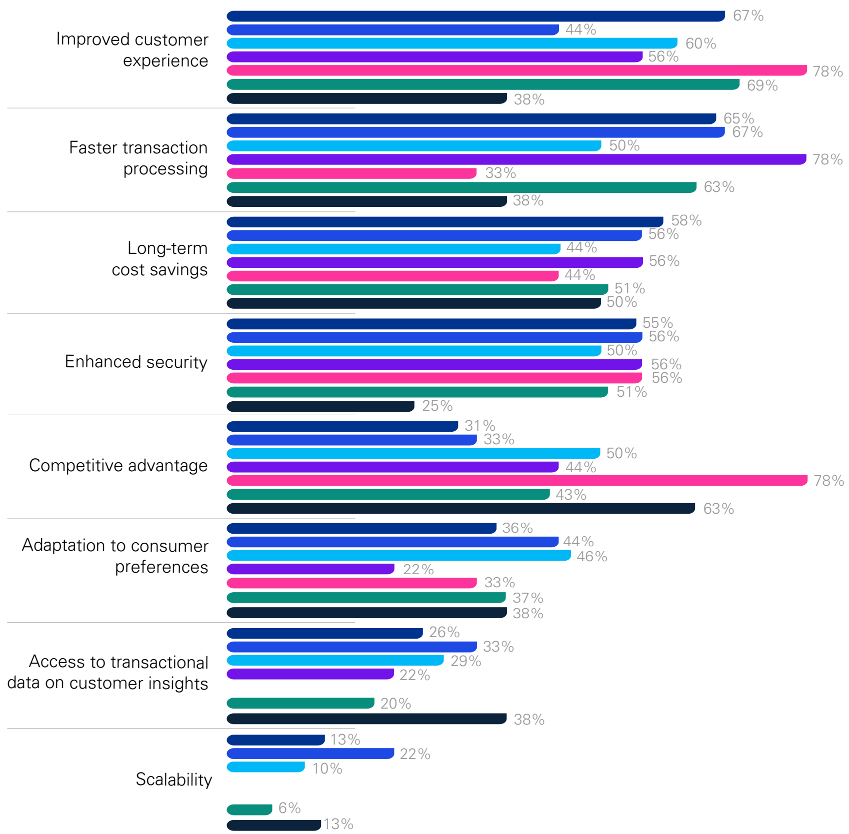



UK Netherlands Germany Italy Spain France Switzerland

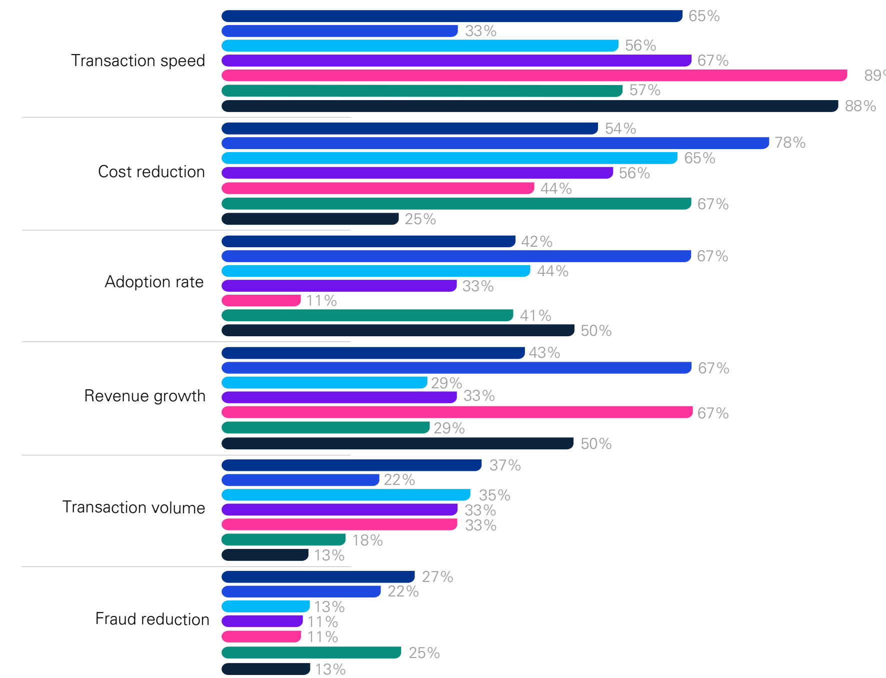
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Europe Analysis for Retailers (cont.)

### Biggest perceived benefit (by country)




### Most common KPIs (by country)




UK  Netherlands  Germany  Italy  Spain  France  Switzerland

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# North America

**Between them, the US and Canada represent approximately 23% of the global financial services market – the US market alone was worth more than $26 trillion in 2023 (with Canada valued at $2.2 trillion) – and employ 9 million people. In general, Financial Institutions in the two counties are aligned on payments modernisation, but there are also key differences in their approaches.**

Banking is the largest sector across both countries, but payments modernisation is now seen as essential for all Financial Institutions if they are to remain competitive.

Broadly speaking, modernisation budgets are aligned between the countries, with system integration and deployment into BAU identified as the main challenges.

Around 85% of Financial Institutions in North America aim to complete modernisation programmes within three years, with 90% allocating up to 59 people to this work. More than 85% are looking to outsource – or have outsourced – part of their infrastructure as one element of modernisation.

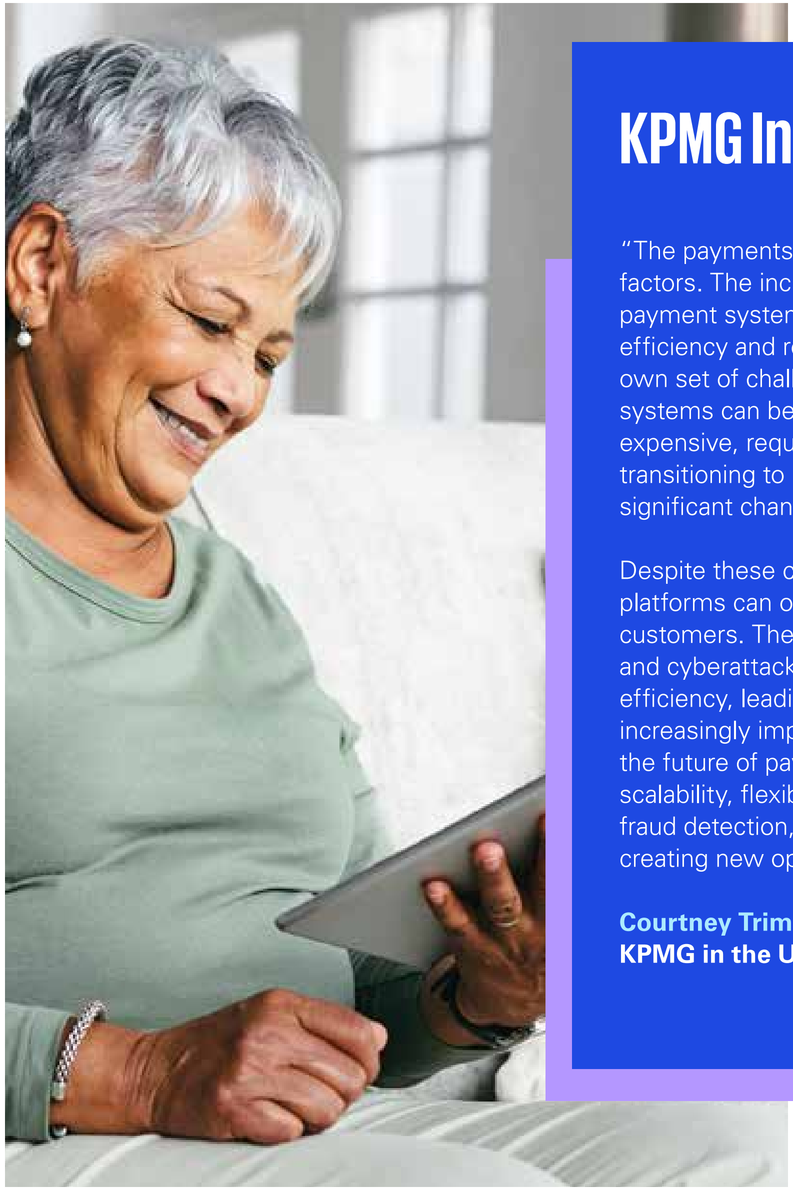
Key differences include the fact that while US Financial Institutions identify their current inability to innovate as an important driver for change, in Canada, the need to meet regulatory requirements and issues with legacy systems are the key factors. In addition, almost 70% of Canadian Financial Institutions include customer experience within the scope of their modernisation programme, with only half of US Financial Institutions doing the same.

It's also worth noting that while seven in 10 Canadian Financial Institutions identify transaction speed as a measure of success, only four in 10 US Financial Institutions take this view. In the US, by contrast, Financial Institutions are more likely to favour fraud reduction metrics than in Canada.

**Compared to the global picture, a number of key differences in North America stand out:**

- **51%** of North American Financial Institutions prioritise staying up to date with changing customer expectations compared to **42%** in the Middle East, for example.
- Regulatory compliance is highlighted as a main challenge by **54%** of Financial Institutions in China, but only **41%** of North American Financial Institutions agree.
- Only a third of UK Financial Institutions track faster transaction processing as an expected benefit of modernisation; almost twice as many Financial Institutions in North America expect speed to increase.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



# KPMG Insight

“The payments landscape is undergoing a significant transformation driven by several key factors. The increasing demand for instant payments is also driving the adoption of real-time payment systems. Modern platforms can offer significant cost savings through improved efficiency and reduced maintenance. However, payments modernisation comes with its own set of challenges. Implementing new platforms and integrating them with existing systems can be complex and time-consuming. Modernisation projects can also be expensive, requiring significant investment in technology and resources. Additionally, transitioning to new platforms can be disruptive to business operations and require significant change management efforts.

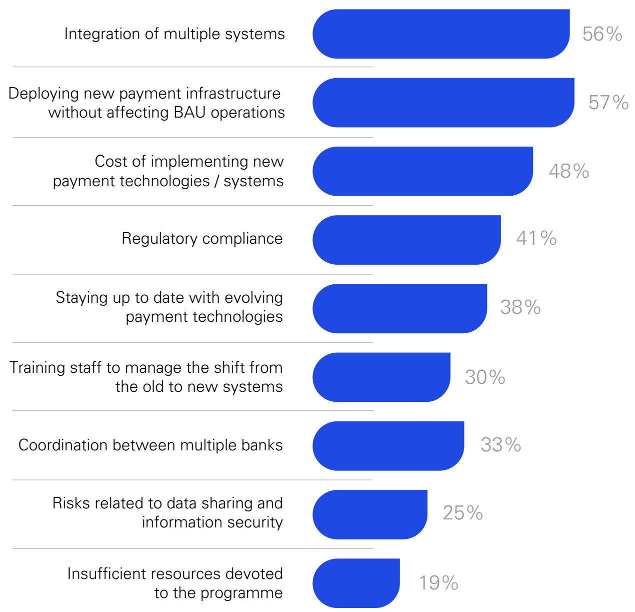
Despite these challenges, the benefits of payments modernisation are undeniable. Modern platforms can offer faster, more convenient, and more secure payment experiences for customers. They can also incorporate advanced security features to protect against fraud and cyberattacks. Additionally, modern platforms can streamline operations and improve efficiency, leading to cost savings. Finally, a future-ready modernised payments platform is increasingly important to meet the expectations of customers. Several trends are shaping the future of payments modernisation. Cloud adoption is enabling banks to benefit from scalability, flexibility, and cost savings. Artificial intelligence (AI) is being used to improve fraud detection, risk management, and customer service. And, Open Banking initiatives are creating new opportunities for innovation and competition.”

**Courtney Trimble, Global Head of Payments**
**KPMG in the US**

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

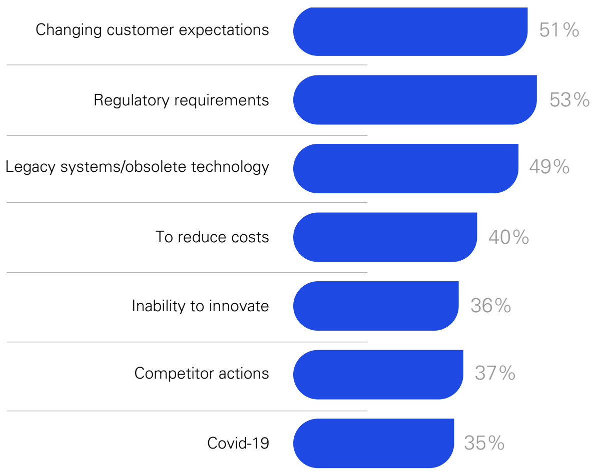
# Key Findings – North America Analysis for Financial Institutions

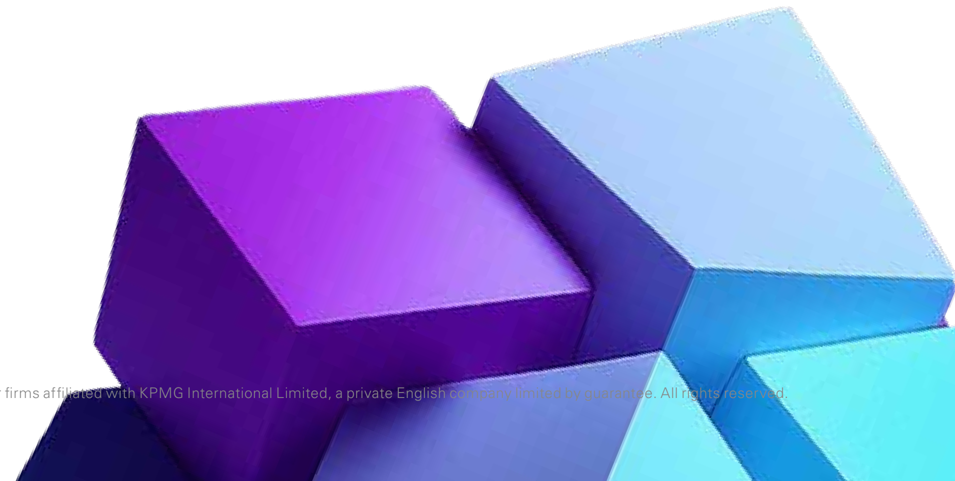
### Challenges faced in payments modernisation




### Significant modernisation status


### Drivers for change

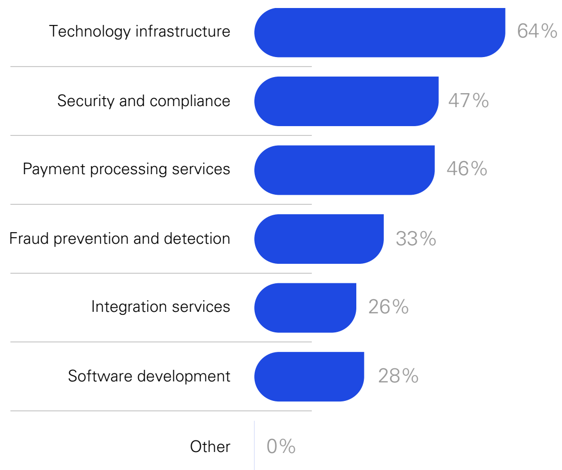


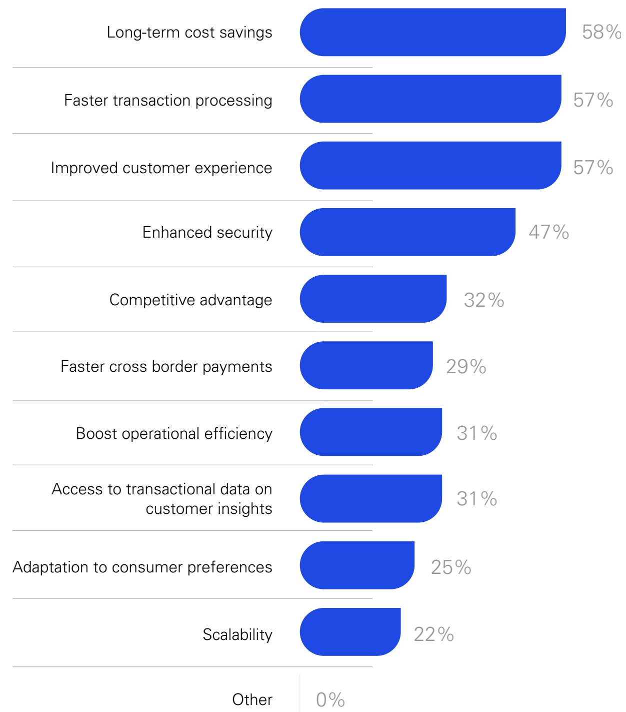
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – North America Analysis for Financial Institutions (cont.)

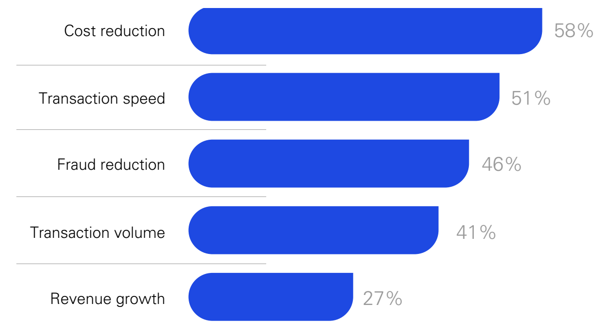
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits




### Most common KPIs




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

In the retail sector, meanwhile, the North American market continues to undergo significant transformation. The rise of e-commerce means online sales are now expected to account for over 43% of total retail sales in North America, while changing consumer demands are forcing change. With demand for greater convenience and rising expectations of personalised experiences, Retailers identify the need for data analytics and new technologies as key requirements.

Retailers are also having to contend with the increasing importance of sustainability. Consumers in North America are becoming more aware of the social impact of purchases than ever before and demanding more sustainable business practices.

As of today, Canada and US have similar proportions of offline and online sales. Moreover, the two countries take a similar view on outsourcing as part of modernisation, with 45% of firms already outsourcing and 46% planning to outsource. And in both countries, Retailers call out the cost of implementing new payment technologies and systems as the main challenge to payments modernisation.

Key differences include the fact that while the need to reduce costs is the most important trigger for payments modernisation in the US, Canadian Retailers are more likely to point to changing customer expectations. Also, while 66% of US Retailers now aim to spend up to $2 million on their modernisation programmes, 87% of Canadian Retailers say the same.

**Key differences between North American Retailers and their global counterparts include:**

- North America, Europe and APAC see changing customer expectations as the key reason to improve their payment infrastructures, whereas those in the Middle East highlight competitor actions and cost reduction as their priorities.
- **72%** of North American Retailers currently offer pay-by-wallet options (such as Apple Pay or Google Pay), compared to only **42%** in the Middle East.
- Transaction speed is an important KPI for success of the modernisation programme in North America and APAC, but less so elsewhere.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# KPMG Insight

"Retail payments are evolving as consumer demand is shifting to digital options. Consumers, particularly the younger generation, are opting for contactless cards and mobile wallets, due to a desire for convenience. In meeting these demands though, with the need to overcome legacy systems, data security and privacy concerns, significant investment is required by Retailers.

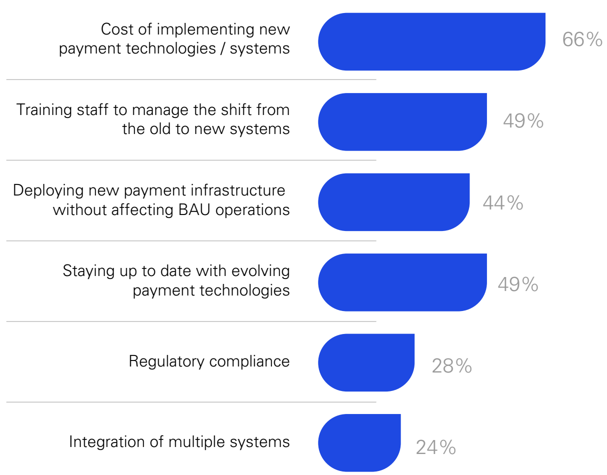
Potential benefits are substantial. Delivering a seamless payment experience across all channels can enhance customer satisfaction, improve operational efficiency and provide insights into customer behaviour. Overcoming data regulation is an area, especially in Canada, that will need to be considered and addressed to be able to take advantages of the opportunities."

**Courtney Trimble, Global Head of Payments**
**KPMG in the US**

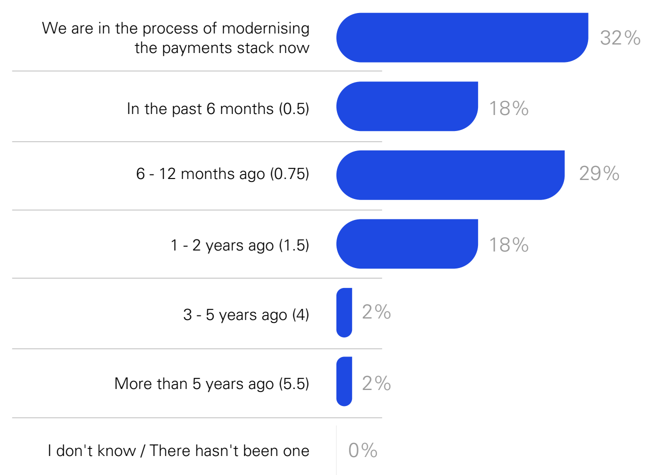
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – North America Retailers

### Challenges faced in payments modernisation




### Significant modernisation status

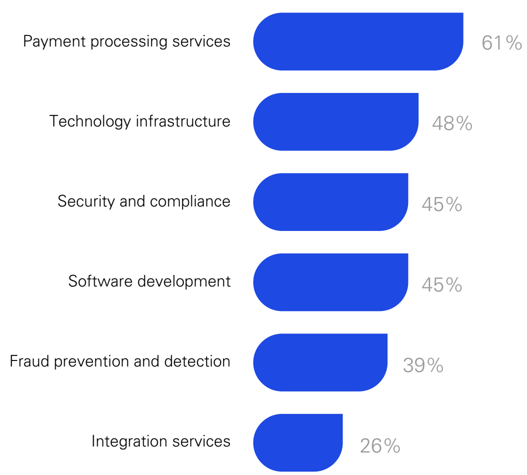



### Drivers for change

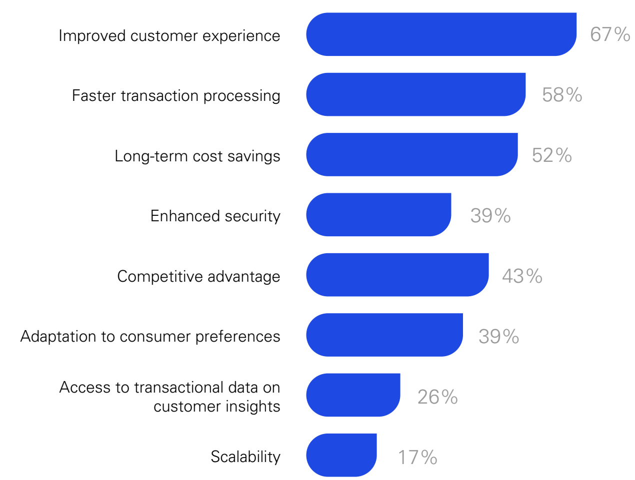

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – North America Retailers (cont.)

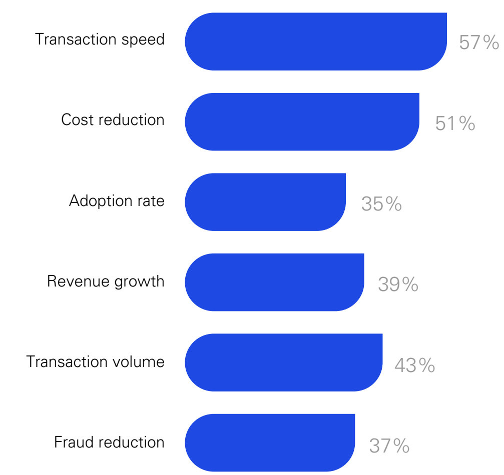
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits




### Most common KPIs




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# APAC

**The Asia-Pacific (APAC) region boasts a rapidly growing financial services market. Many of the region's economies are experiencing growth, leading to increased disposable incomes and greater demand for financial products and services. Indeed, governments are promoting financial inclusion and innovation, which is further fuelling growth and uptake of financial products.**

As a result, the market is becoming increasingly competitive with both traditional and new market players vying for market share. In an overall market estimated to be worth almost $5 trillion – China accounts for 45% of this – the need for payments modernisation is increasingly pressing.

Across the region as a whole, a third of Financial Institutions have completed a modernisation programme in the previous six to 12 months, with 91% having plans to initiate work in the future. Budgets across countries in the region are broadly similar: a third of APAC Financial Institutions are investing less than $10 million in their payments modernisation effort, while 53% expect to spend between $10 million and $25 million. Ensuring regulatory compliance is a common concern across the region.

At a country level, stand-out differences include the fact that while Hong Kong-based Financial Institutions expect to complete their payments modernisation programmes within one to two years, this is nearly twice as fast as their Indian counterparts.

Elsewhere, 64% of Japanese Financial Institutions highlight the need to deploy infrastructure without impacting BAU operations as their main challenge, well ahead of the regional average of 54%. In China, Australia and India the main measure of success is seen as cost reduction, while Singapore and Japan are aiming for improved transaction speed.

**Key differences between APAC Financial Institutions and their global counterparts include:**

- **67%** of Financial Institutions in the region plan to start their modernisation programme in the next six months, compared to only **40%** of those in the Middle East.
- APAC shares the European view that the tokenisation of currency and securities will help design new products to offer to customers.
- A higher proportion of Financial Institutions in APAC are including a digital channel implementation or upgrade in the scope of their programme; China and Singapore are driving this for the region.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# KPMG Insight

"APAC is a diverse region with significant differences in payments modernisation across countries. Legacy systems are a major challenge for banks, hindering their ability to compete with Non Banking Financial Institutions (NBFIs) and Payment Service Providers (PSPs). Banks need to invest in upgrading their legacy systems to remain competitive and collaborate with NBFIs and PSPs that can help them adapt to the changing landscape. Notably Non-Tier 1 banks in China and Indonesia are particularly behind in terms of technology and digital capabilities.

Regulation in Asia Pacific is different from the West, with a focus on guiding economic and social development rather than imposing strict rules, allowing for more flexibility and innovation. Open Banking is not a major topic, as governments are taking proactive approaches to creating a data-driven economy, promoting the leveraging of data to personalise offerings, improving fraud detection, and streamlining processes to drive innovation.

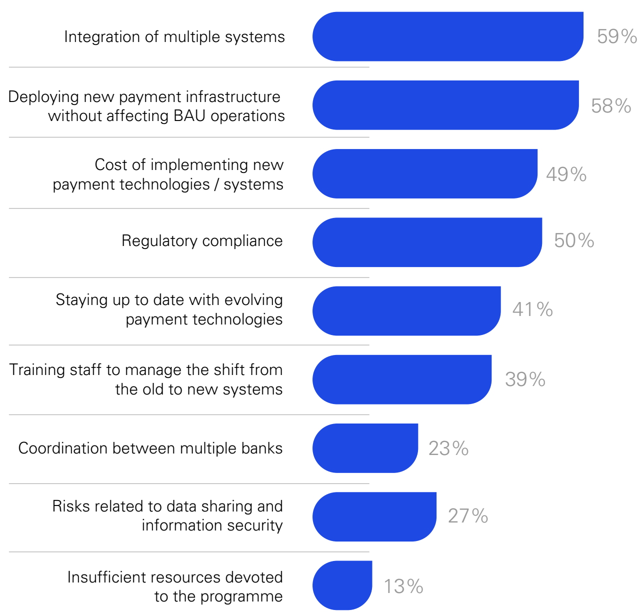
Improving customer experience also remains a key factor within the region, with a focus on improving turnaround time, liquidity and working capital availability. Real-time payment capabilities and modernising of payment stacks are critical for banks to continue to remain competitive within their respective markets."

**Antony Ruddenklau, Regional Head of Payments, ASPAC**
**KPMG in Singapore**

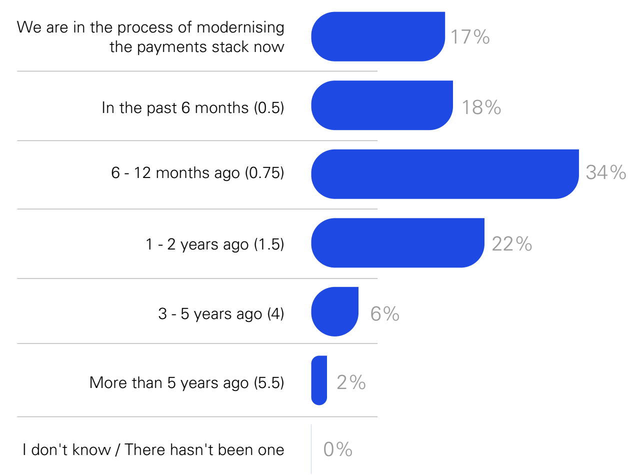
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – APAC for Financial Institutions

### Challenges faced in payments modernisation




### Significant modernisation status

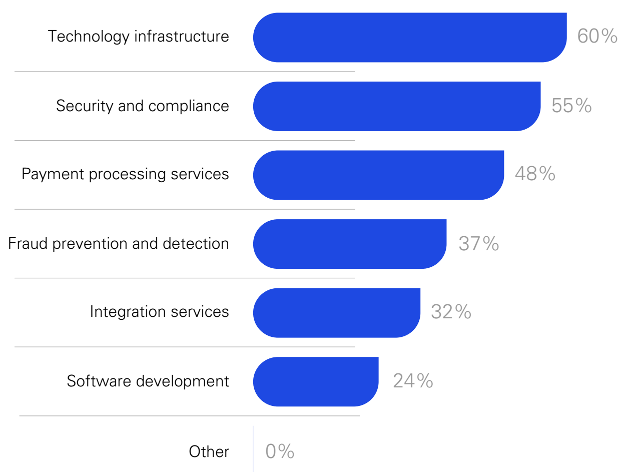



### Drivers for change

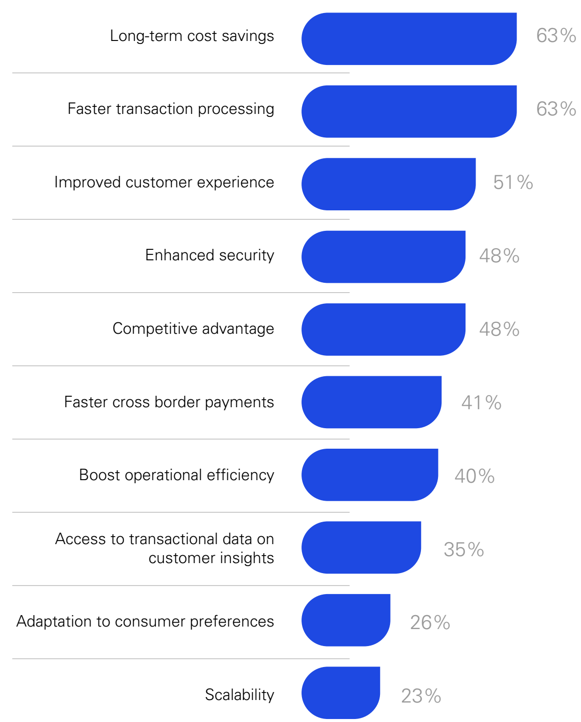

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – APAC for Financial Institutions (cont.)

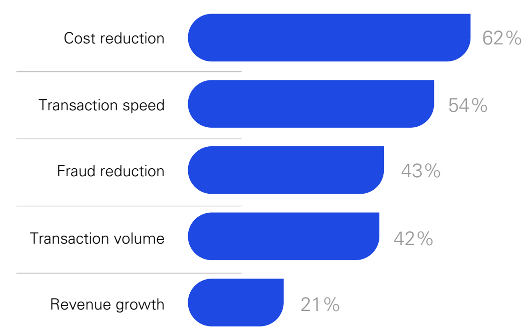
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits



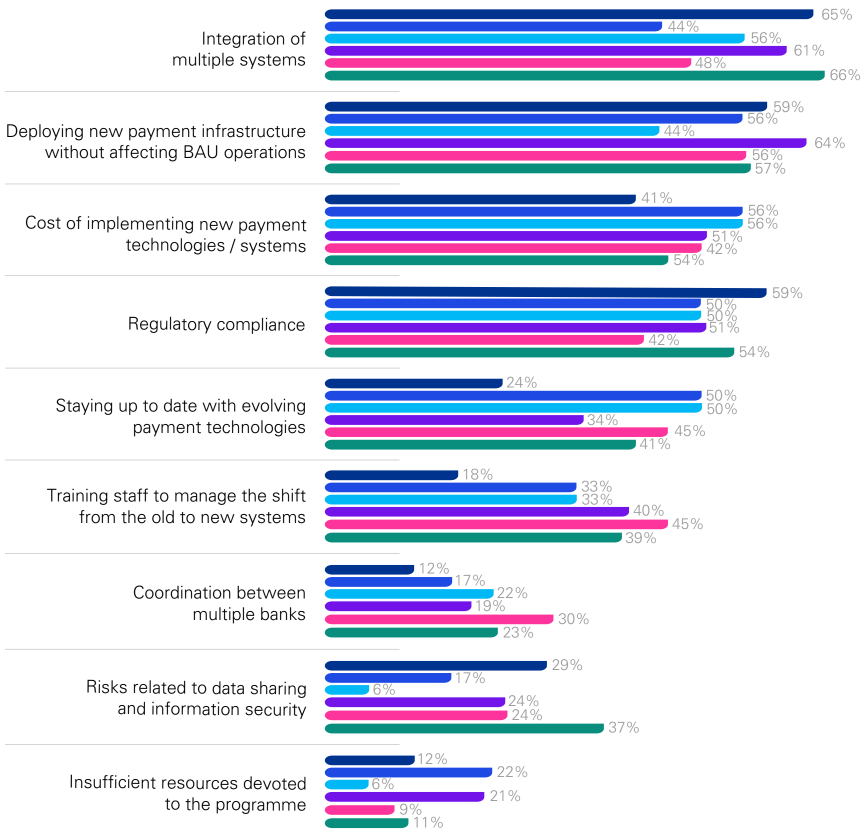

### Most common KPIs



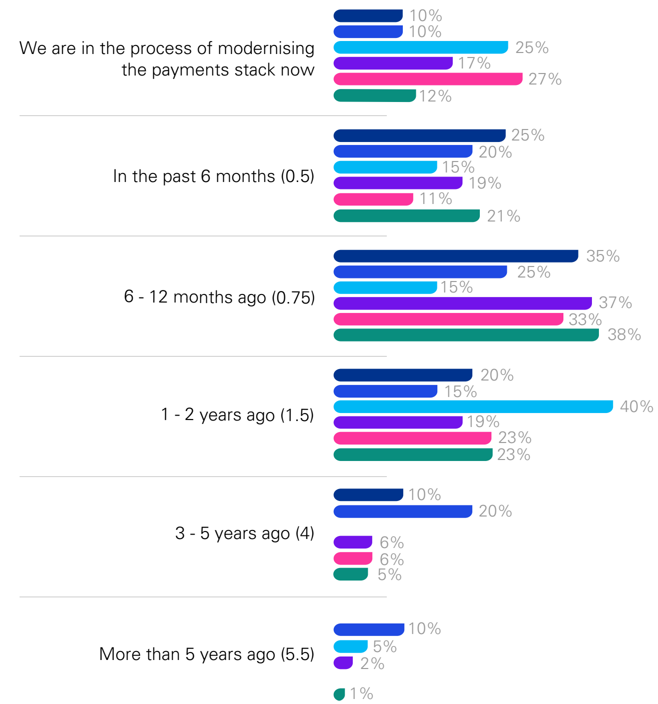

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – APAC for Financial Institutions (cont.)

## Challenges faced in payments modernisation (by country)




## Significant modernisation status (by country)

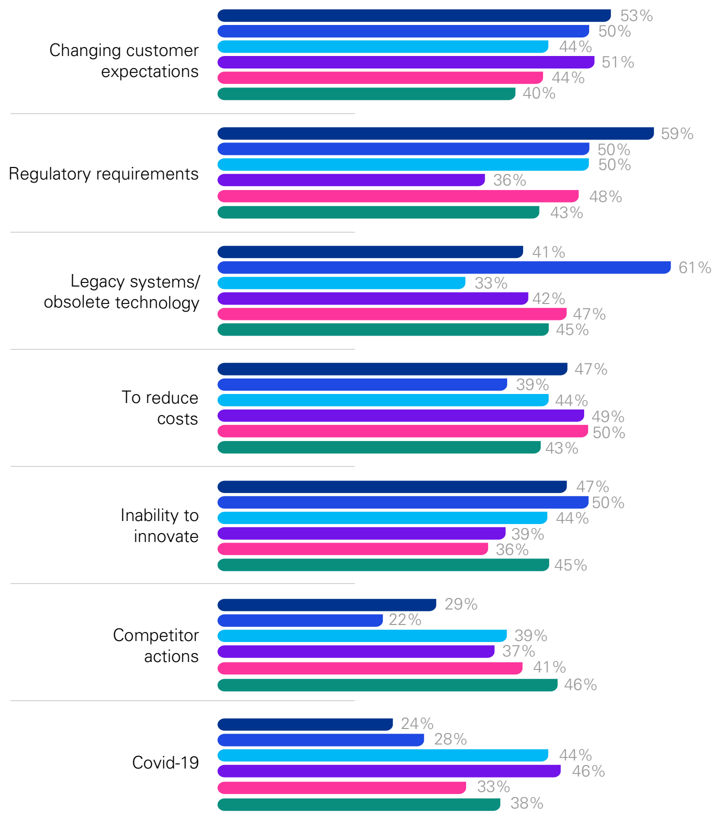



India Australia Japan Singapore Hong Kong China

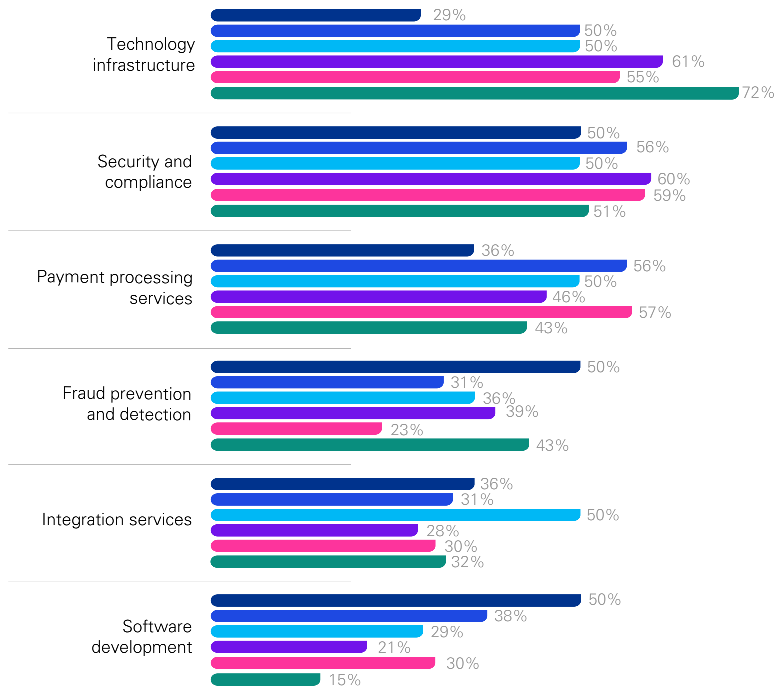
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – APAC for Financial Institutions (cont.)

### Drivers for change (by country)




### Infrastructure which is most commonly outsourced (by country)

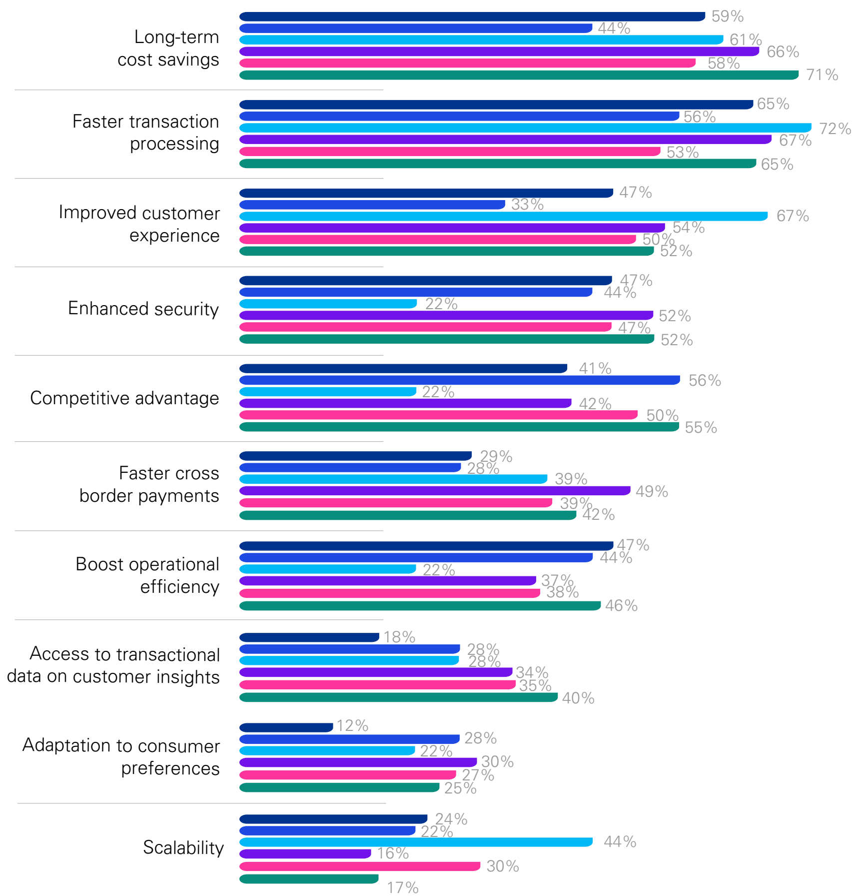



India Australia Japan Singapore Hong Kong China

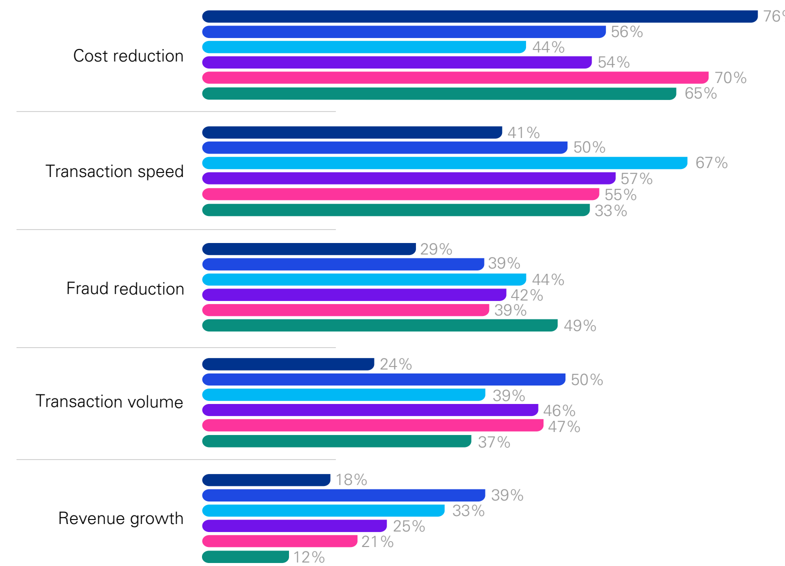
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – APAC for Financial Institutions (cont.)

## Biggest perceived benefit (by country)




## Most common KPIs (by country)




India Australia Japan Singapore Hong Kong China

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

## 01 Global Overview / APAC / **Retailers**

**The retail market in the Asia-Pacific region is extremely sizeable, with Retailers serving more than half the world's population.**

As in other regions, e-commerce is growing fast and by 2025 should account for more than 20% of total retail sales. A key issue for Retailers is now the extent to which they can create an omnichannel experience that aligns the customer's offline and online journeys. There is rapid adoption of technologies throughout the region, with a large and growing talent pool available to help Retailers drive change and compete in their respective markets.

The actions taken by competitors are consistently called out across the region as an important trigger for modernisation, with 59% of APAC Retailers citing this driver. Other similarities include the fact that 60% of firms currently outsource their payment processing services; and other than in Singapore, most APAC countries see the need to train staff to manage change as a primary challenge for their modernisation ambitions.

The leading benefit that APAC Retailers hope to achieve with payments modernisation is improved customer experience: 68% of Retailers in the region are aiming for this.

Key differences across the region include the challenges to modernisation they expect to face. The cost of implementation is a key concern for Retailers in Australia, Japan, China and Hong Kong, but less so in India and Singapore.

Also, while Retailers in Japan and Singapore are more likely to include Open Banking within the scope of their modernisation programme – 43% and 40% respectively agree – only 27% of Retailers across APAC as a whole are so ambitious. KPIs also differ from one country to the next. India and Singapore are looking at adoption rates as their main measure of success, whilst Australia and China are more focused on measuring transaction speed; and Japan is looking at revenue growth.

**Key differences between APAC Retailers and their global counterparts include:**

- Retailers in APAC are less driven by the need to replace legacy systems and obsolete technology than other regions – **36%** highlight this as a key driver of modernisation, compared with an average of **45%** across other regions.
- Competitor actions are the main driver, with **59%** of Retailers in APAC highlighting this as important compared with only **49%** in Europe.
- **60%** of Retailers in APAC are more likely to outsource technology infrastructure than those in other regions, compared to **49%** in Europe and **48%** in North America.

KPMG

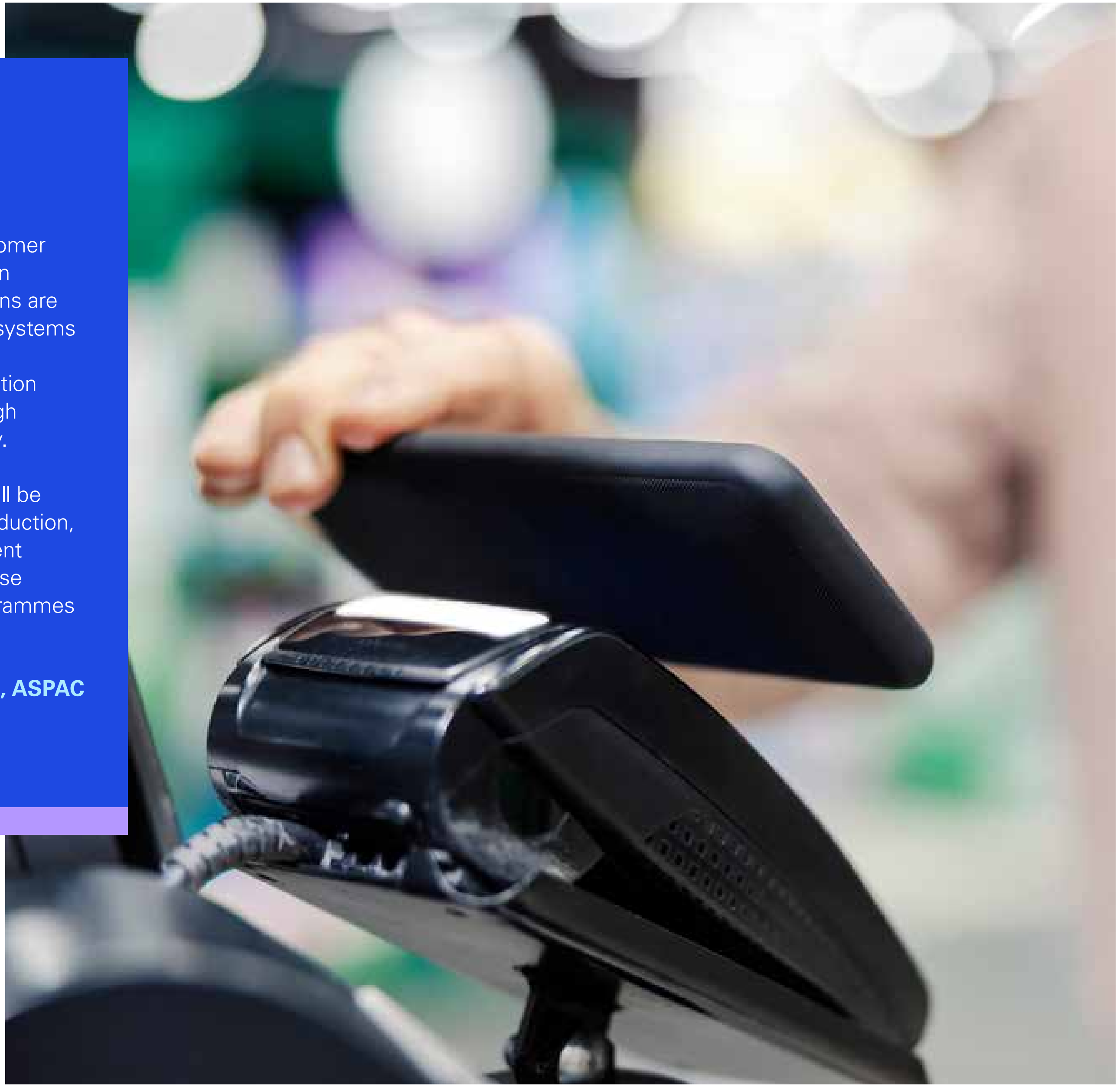
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# KPMG Insight

"Retailers in APAC are wrestling with changing customer demands, with the expectation that across the region demand for contactless will increase and organisations are dealing with the need to move away from outdated systems and strengthen digital offerings. We're seeing a high percentage of Retailers look to undertake modernisation programmes to deal with these challenges, and a high number looking at outsourcing as part of that activity.

Differences exist in the measures of success that will be applied; with these ranging from focusing on cost reduction, transaction speed and the ability to offer new payment methods. What is consistent though is that all of these benefits help those undertaking modernisation programmes remain competitive."

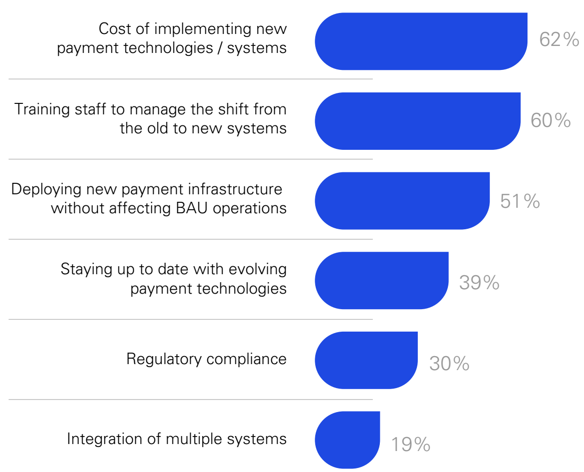
**Antony Ruddenklau, Regional Head of Payments, ASPAC**
**KPMG in Singapore**



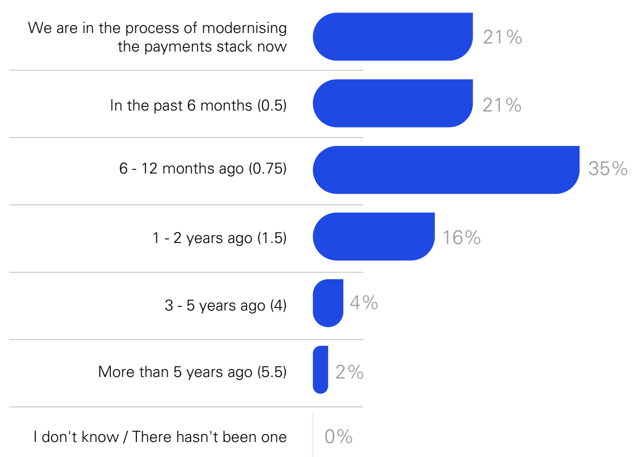
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – APAC Analysis for Retailers

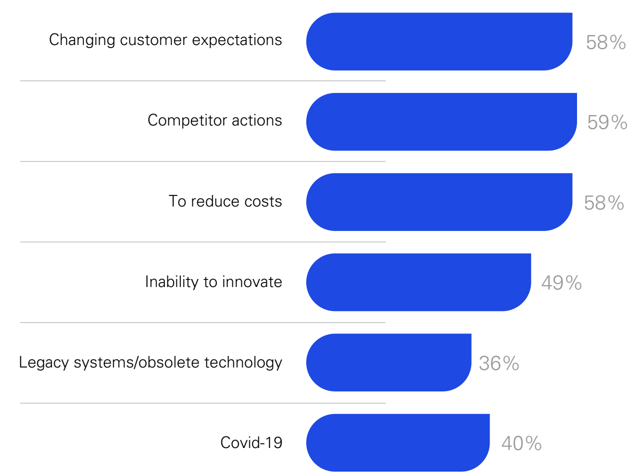
### Challenges faced in payments modernisation




### Significant modernisation status



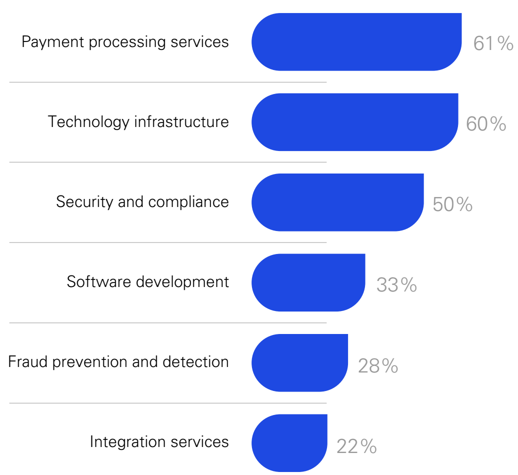

### Drivers for change



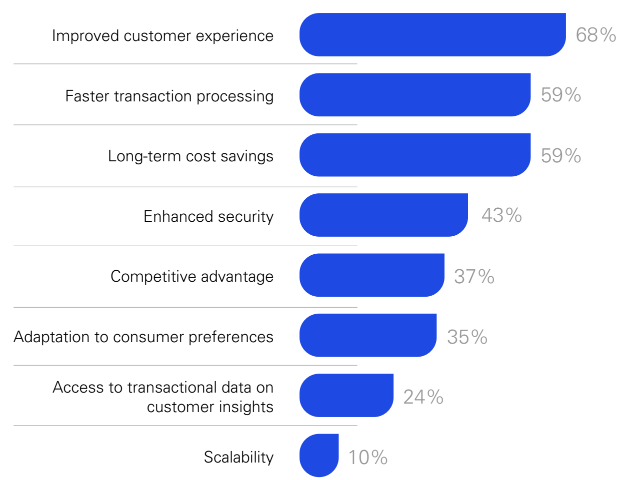

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – APAC Analysis for Retailers (cont.)

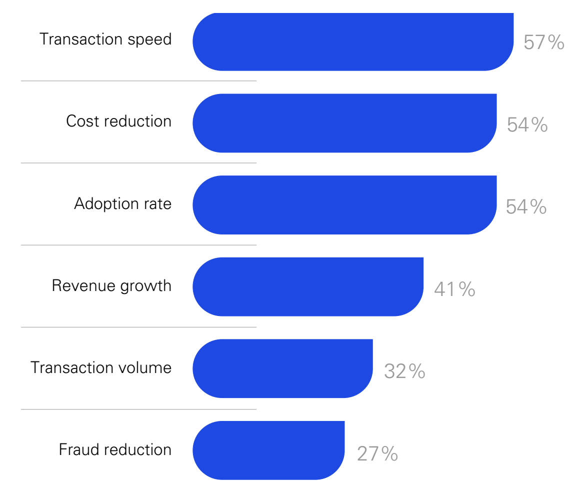
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits




### Most common KPIs

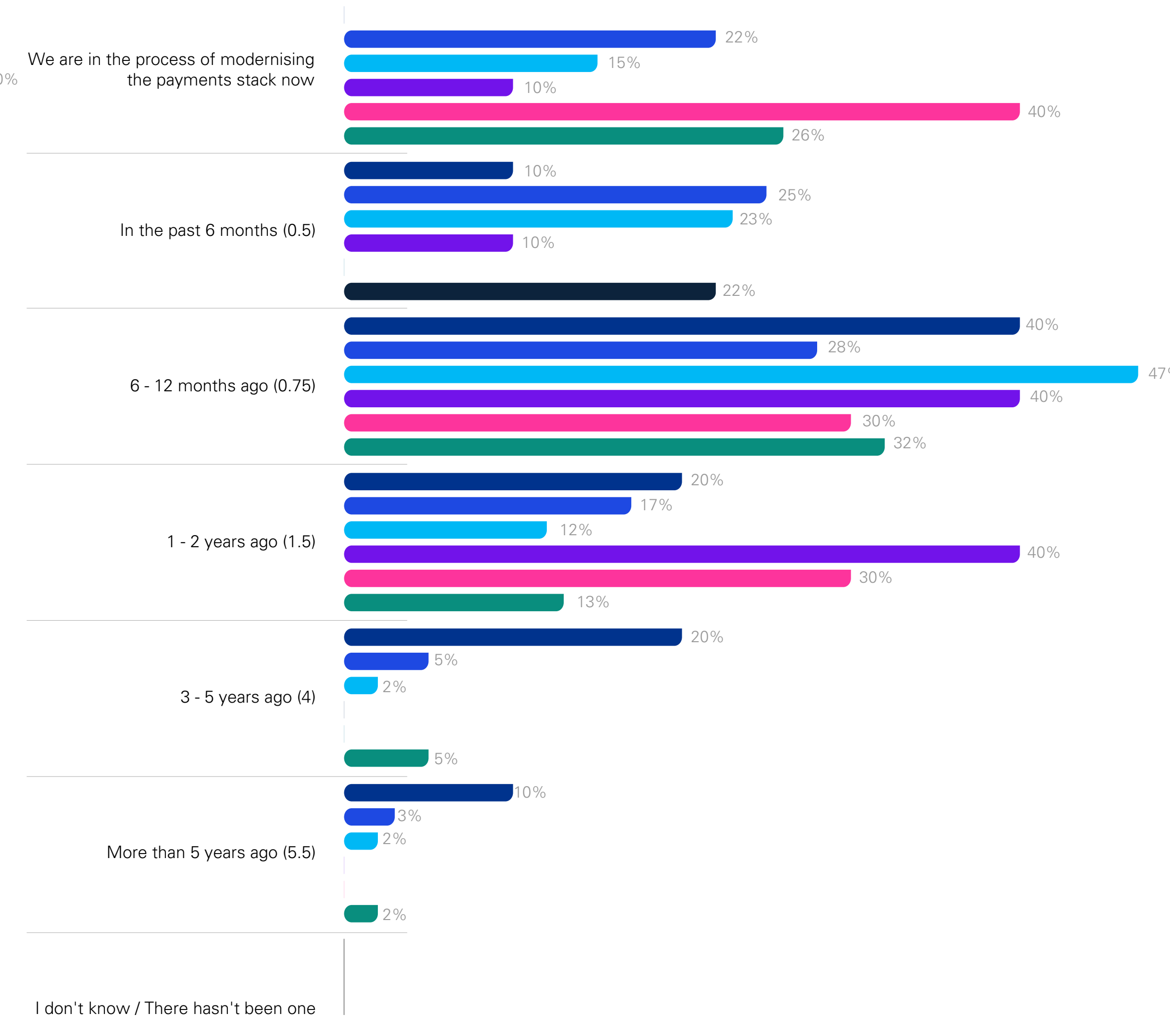



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – APAC Analysis for Retailers (cont.)

### Challenges faced in payments modernisation (by country)


### Significant modernisation status (by country)

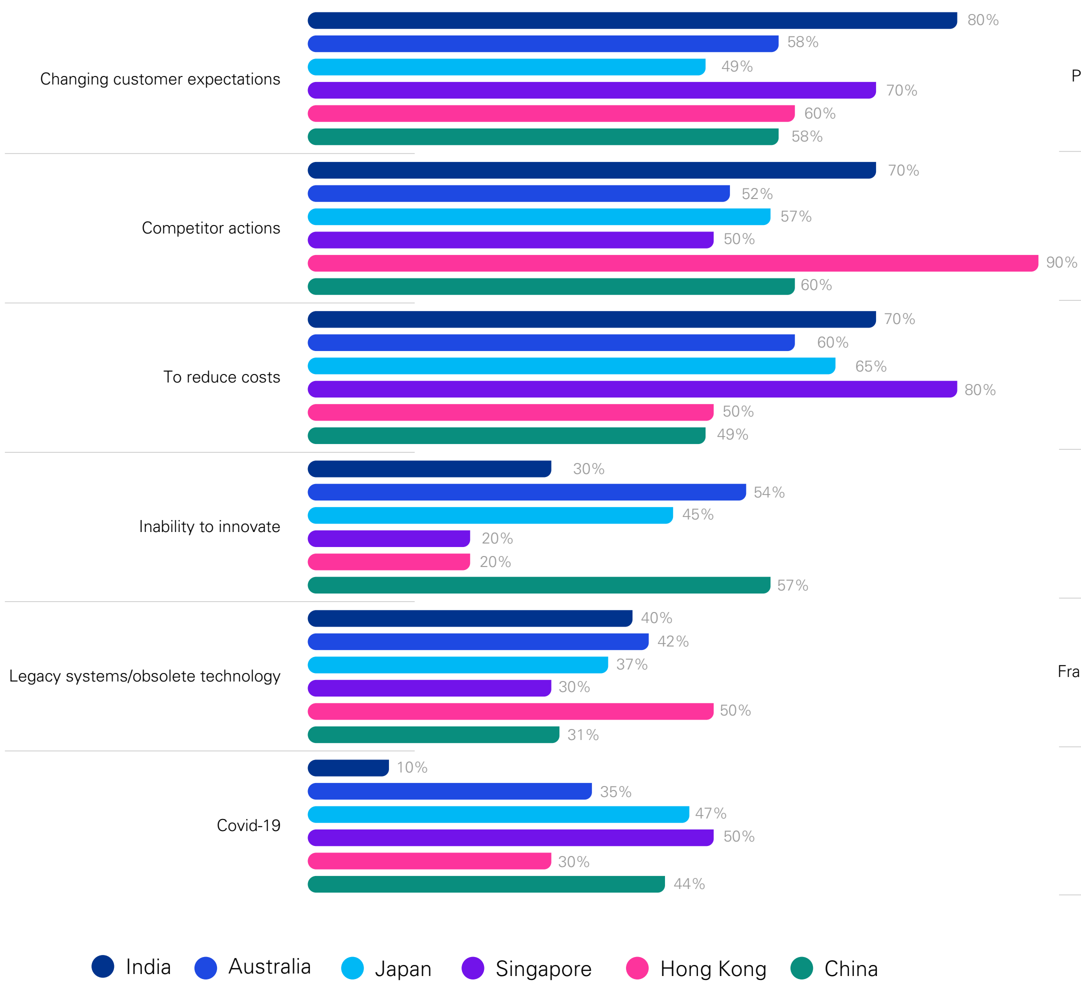



India · Australia · Japan · Singapore · Hong Kong · China

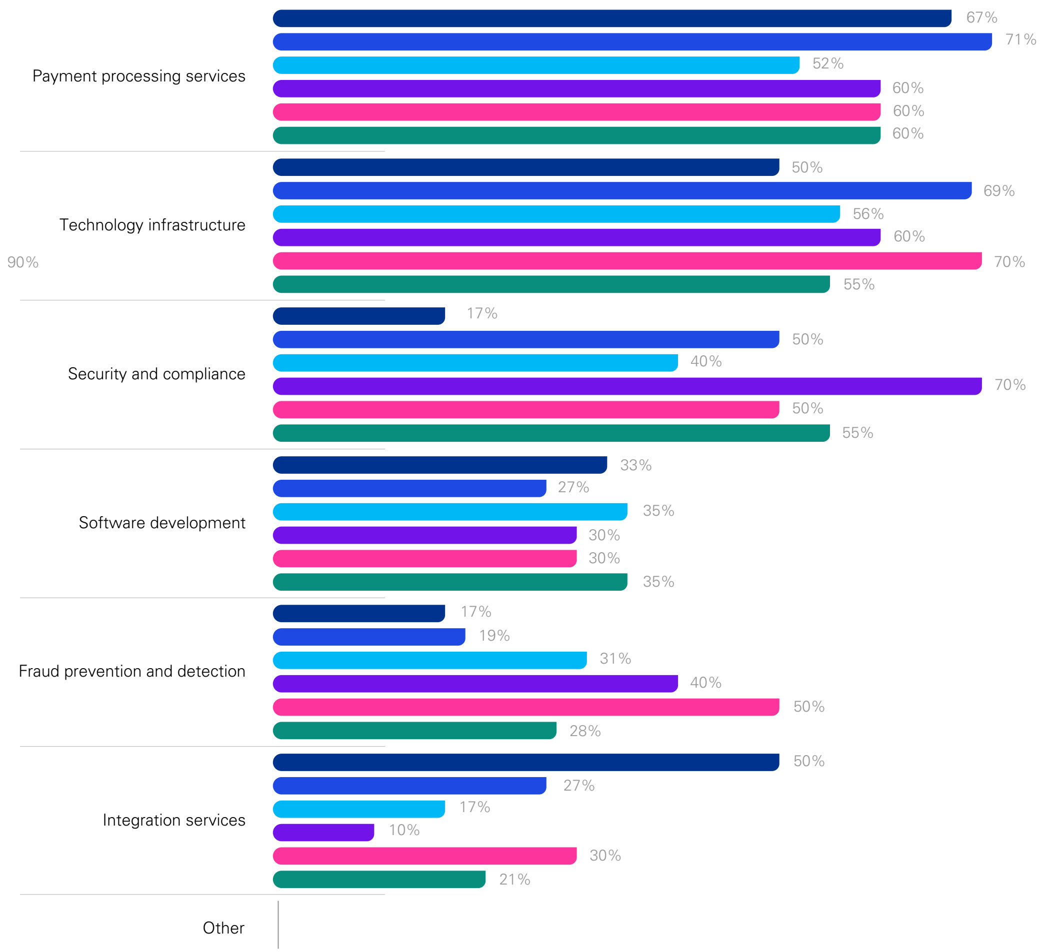
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – APAC Analysis for Retailers (cont.)

## Drivers for change (by country)



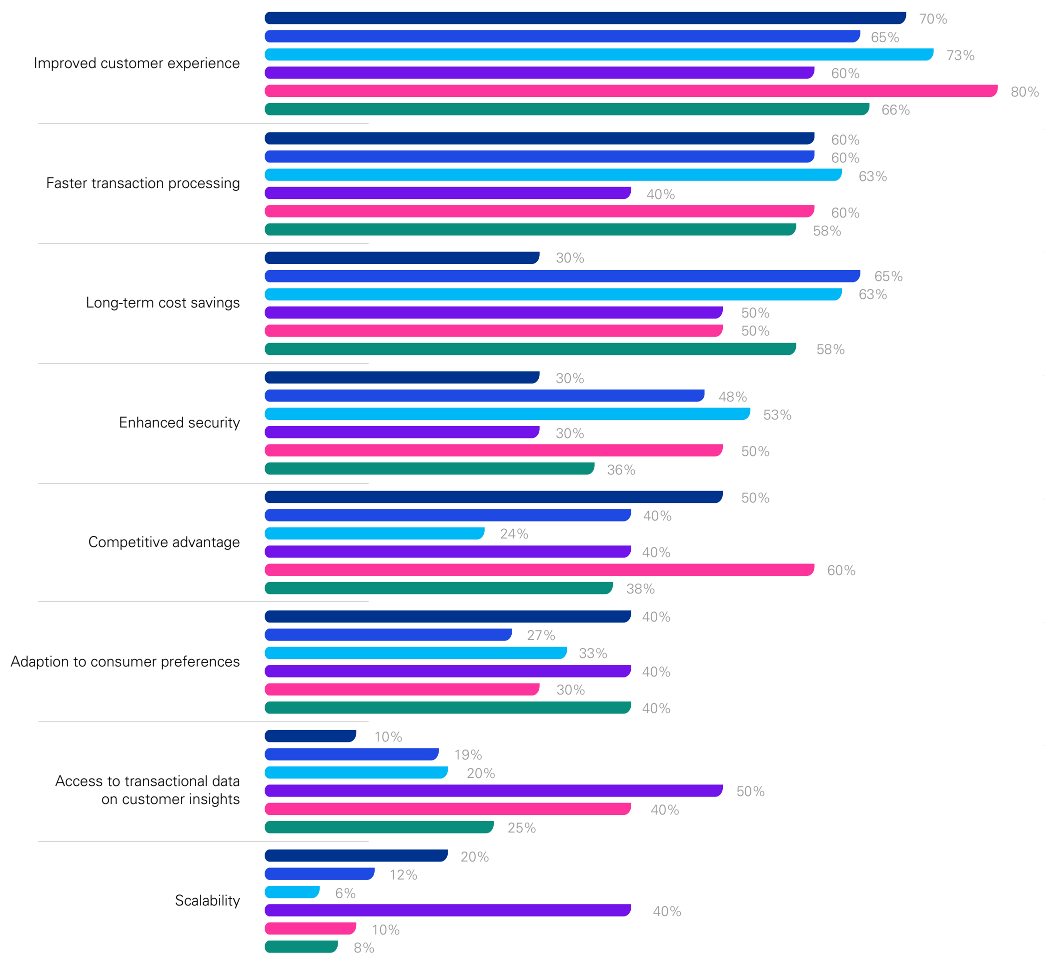

## Infrastructure which is most commonly outsourced (by country)



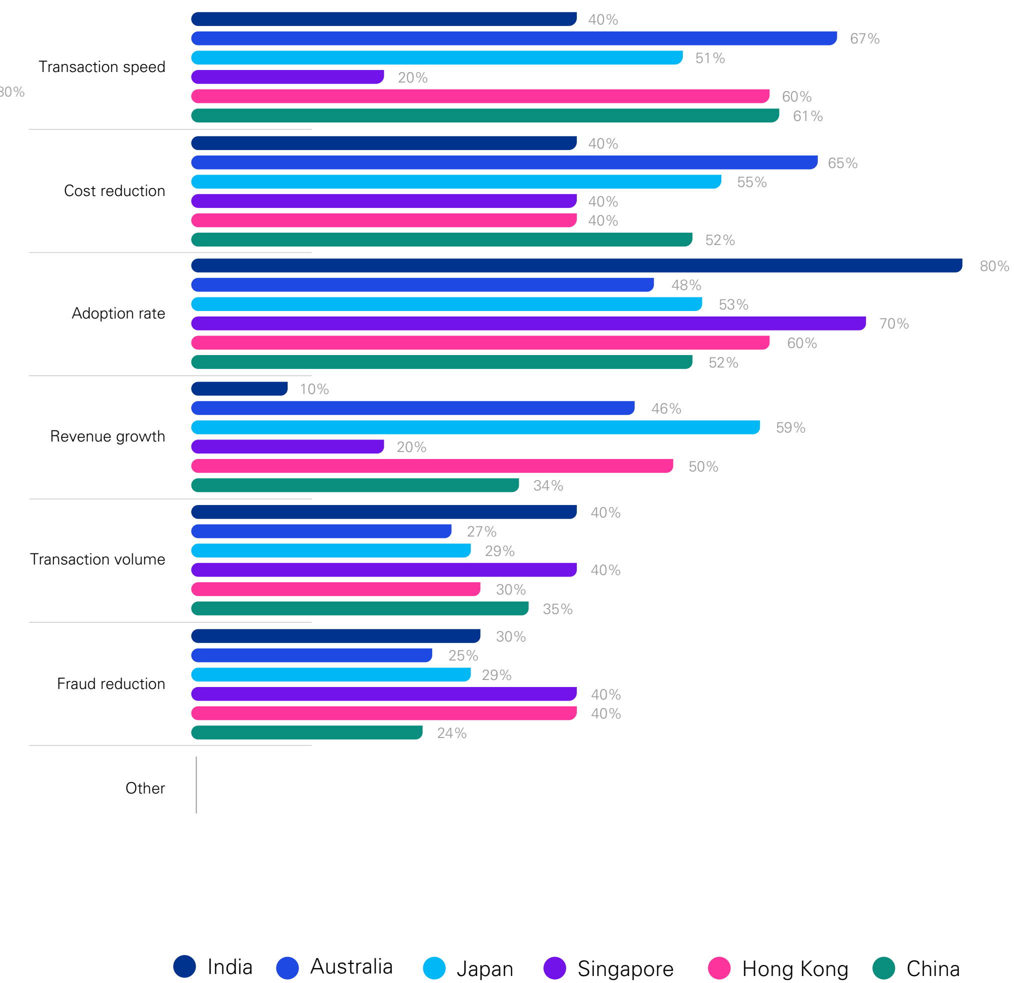

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – APAC Analysis for Retailers (cont.)

## Biggest perceived benefit (by country)




## Most common KPIs (by country)




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Middle East

**The Middle East's financial services industry is dynamic and growing. With an estimated value of more than $1 trillion, key trends include the ongoing search for diversification, a move to greater digitalisation, the growth of Islamic finance, greater regional integration and active government support.**

The region has significant assets, with significant resources dedicated to transforming different sectors and opening up new investment. Governments compete but also collaborate to lead change, and there is a fragmented and complex regulatory environment. Against this backdrop, the need for payments modernisation in the Middle East is increasingly pressing.

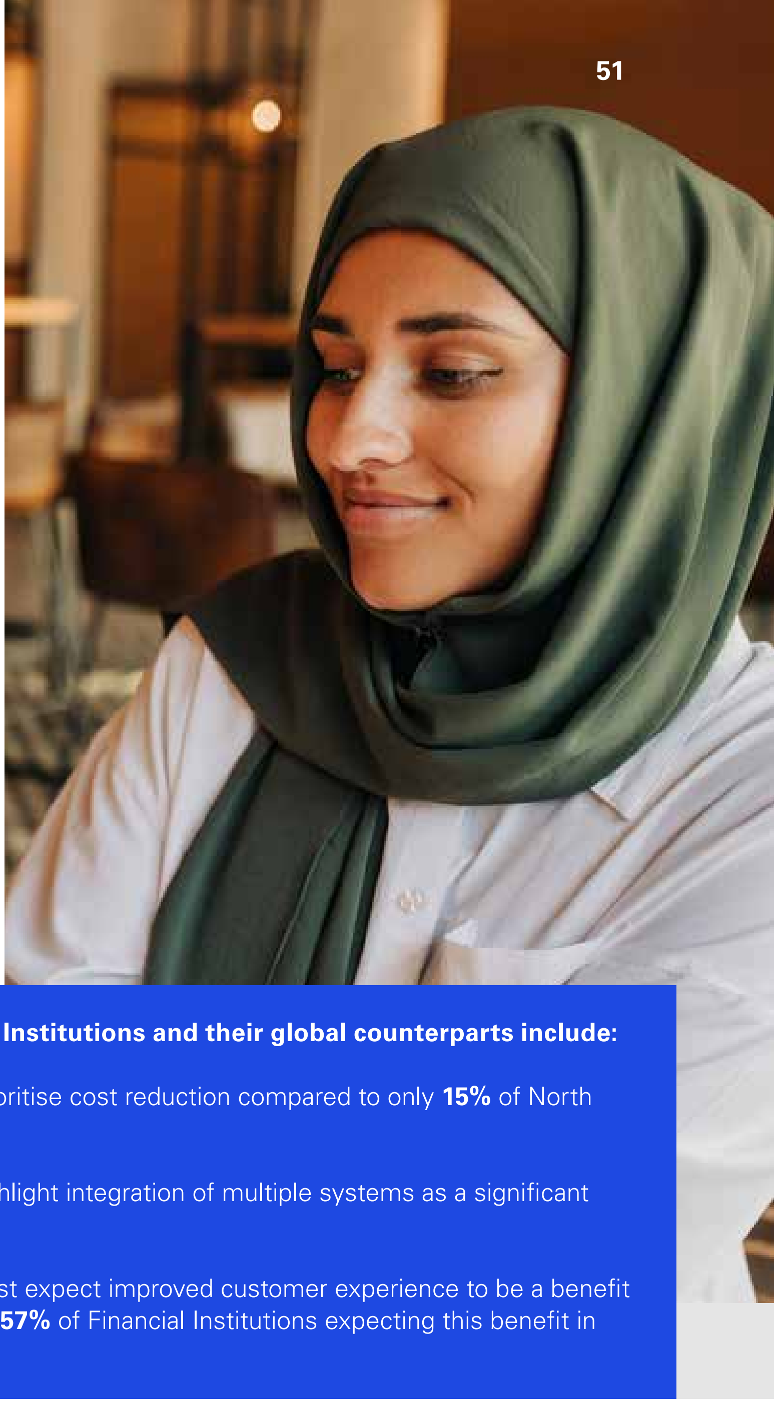
As such, Financial Institutions' modernisation budgets are broadly aligned across the region, and Financial Institutions in different countries take a similar view on opportunities and challenges; they cite the importance of responding to regulatory requirements, for example, and point to the difficulties of systems integration.

More than half of Financial Institutions in the region (58%) include payment engines in the scope of their modernisation, with 58% including digital channel implementation and upgrades. There is also alignment on KPIs, with 68% using cost reduction as a key measure of success; 63% are focused on transaction speed.

Key differences at a country level include the fact that Financial Institutions in the United Arab Emirates identify the cost of implementation as a key challenge for modernisation, while Saudi Arabian Financial Institutions are more likely to highlight issues including deployment into BAU and regulatory compliance.

While Financial Institutions in the UAE are driven by their current inability to innovate, in Saudi Arabia they are more focused on drivers such as cost reduction, legacy systems, and changing customer expectations.

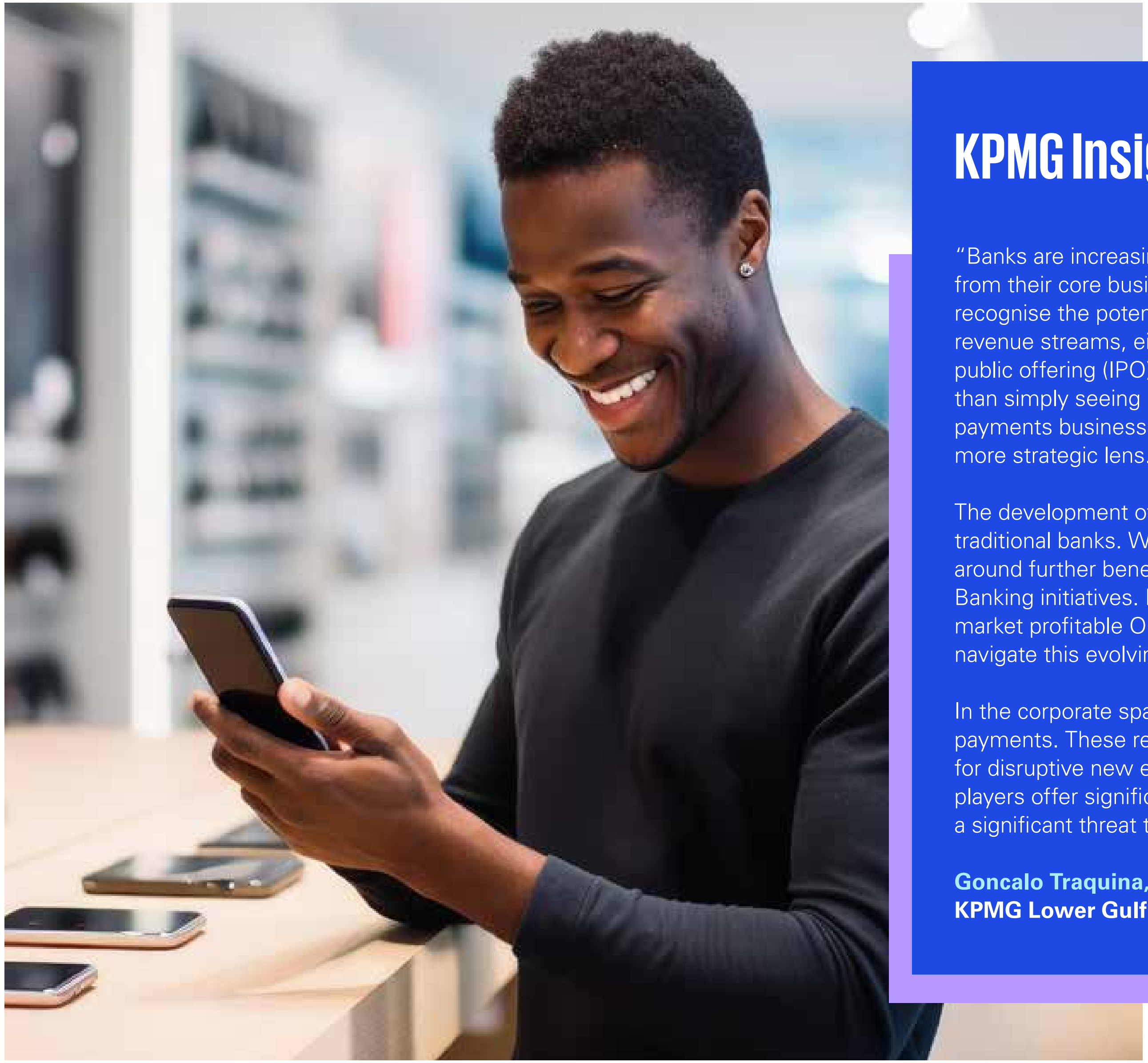
Financial Institutions in the UAE expect to see benefits including faster transaction processing and enhanced security. In Saudi Arabia, Financial Institutions expect long-term cost savings and faster cross border payments.



**Key differences between Middle Eastern Financial Institutions and their global counterparts include:**

- **37%** of Financial Institutions in the Middle East prioritise cost reduction compared to only **15%** of North American Financial Institutions.
- **74%** of Financial Institutions in the Middle East highlight integration of multiple systems as a significant challenge, against a global average of **57%**.
- Only **26%** of Financial Institutions in the Middle East expect improved customer experience to be a benefit of modernisation. The global average is **49%**, with **57%** of Financial Institutions expecting this benefit in North America.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



# KPMG Insight

"Banks are increasingly carving out payments as a distinct entity, separate from their core business. This is driven by two key factors. Firstly, banks recognise the potential to cash in. Carving out payments can unlock new revenue streams, either through direct monetisation or through an initial public offering (IPO). Secondly, banks are seeking greater agility. Rather than simply seeing payments as a back-office function, a separate payments business can be innovative, and think of products through a more strategic lens.

The development of Open Banking regulation has sparked concern among traditional banks. While compliance is a necessity, questions remain around further benefits that could be seen from implementing Open Banking initiatives. Many banks lack the internal expertise to identify and market profitable Open Banking use cases, requiring external support to navigate this evolving landscape.

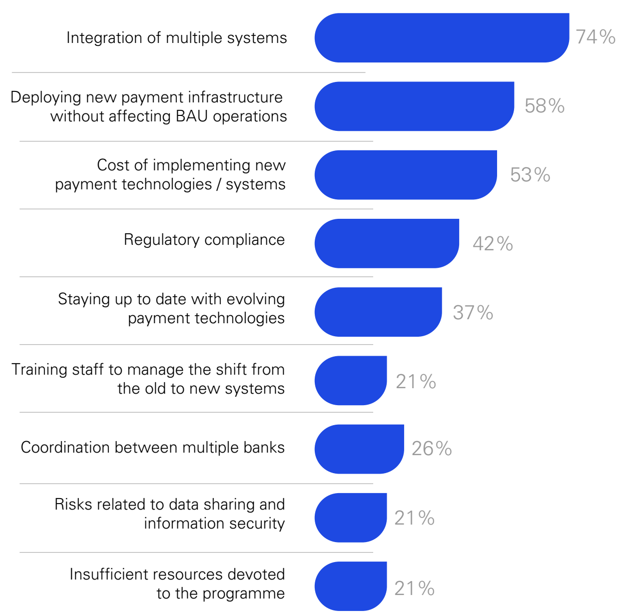
In the corporate space, there is a particular emphasis on cross-border payments. These remain costly for traditional banks, creating an opening for disruptive new entrants like neobanks and fintechs. These innovative players offer significantly cheaper cross-border payment solutions, posing a significant threat to the market dominance of traditional institutions."

**Goncalo Traquina, Partner**
**KPMG Lower Gulf**

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

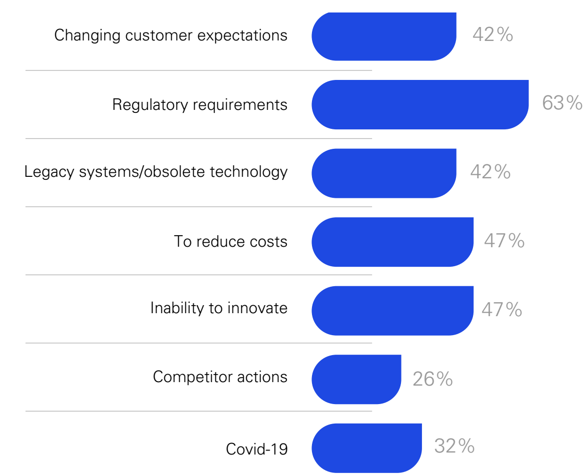
# Key Findings – Middle East Analysis for Financial Institutions

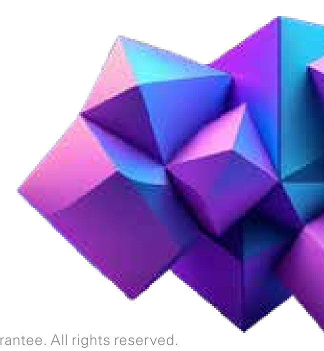
### Challenges faced in payments modernisation




### Significant modernisation status


### Drivers for change

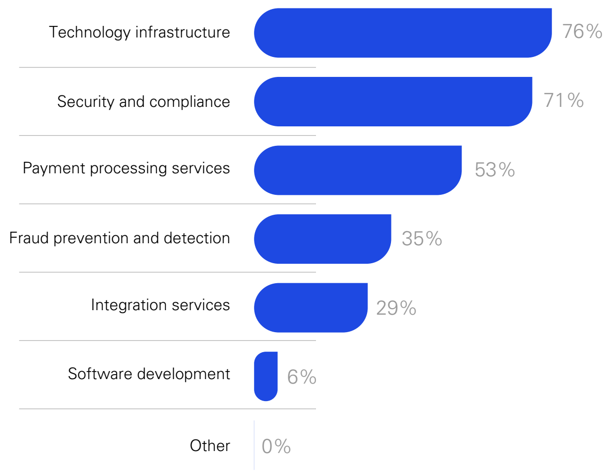


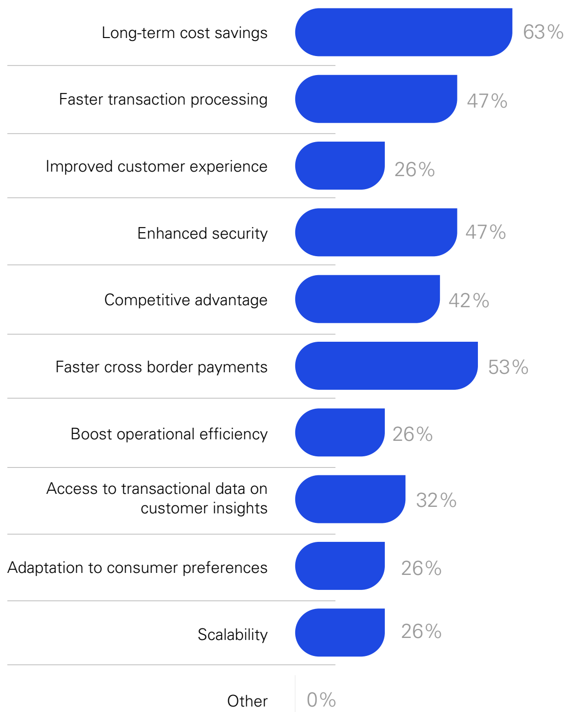
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Middle East Analysis for Financial Institutions (cont.)

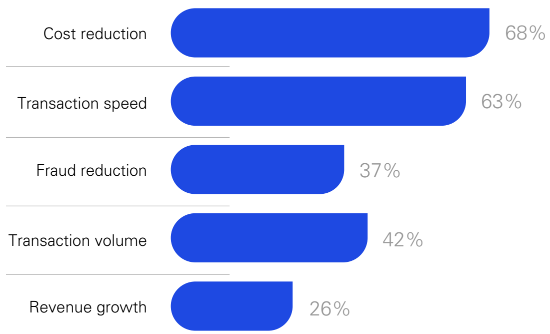
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits




### Most common KPIs




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

**The retail sector in the Middle East is also undergoing a significant transformation, driven by the demands of a tech-savvy population. Consumers want more convenient and secure payment methods, which is pushing Retailers to adopt new technologies and offer a wider range of payment options.**

Open Banking is emerging as a priority, with the potential to revolutionise the way consumers manage their finances and make payments. Competition is also driving transformation, as Retailers strive to differentiate themselves and gain a competitive edge.

Across the region, a third of Retailers plan to initiate a payments modernisation programme within the next three months. They cite the actions of competitors as the most important trigger for payments modernisation. Open Banking is a key priority.

Still, there are country-specific nuances. In the UAE, for example, cost reduction is a key driver for payments modernisation (cited by 70%), whereas Saudi Arabian Retailers are more likely to focus on their current inability to innovate (67%). Also, while UAE Retailers view transaction volumes (70%) as a key measure of success for payments modernisation, this is one of the lowest priorities in Saudi Arabia (22%).

Saudi Arabian Retailers face challenges in relation to deploying new payments infrastructure without impacting BAU (67%), whereas only 10% of UAE participants regard this as a particular concern. Rather, UAE Retailers are concerned about training new staff and the cost of implementing new technology.

**Key differences between Middle Eastern Retailers and their global counterparts include:**

- The Middle East is making the largest investments in supporting payments modernisation, with an average of **$5.5 million** set aside to support such initiatives. This available investment is much greater than other regions – in North America, the comparable figure is **$1.8 million.**
- Within programme scope, **58%** of Middle Eastern Retailers prioritise Open Banking as a key component, well ahead of other global regions. This reflects the region's current focus on building and accelerating wider adoption of open finance frameworks, as well as the underlying support from Government for a more digital economy.
- Middle Eastern Retailers expect the largest benefits from payments modernisation will lie in increased competitive advantage and long-term cost savings. Other regions are more focused on gains in the customer experience.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# KPMG Insight

"The retail landscape has undergone a transformation since the Covid-19 pandemic. A growth in online shopping has prompted Retailers to invest in the development of robust e-commerce platforms, leading to a significant increase in digital payment transactions.

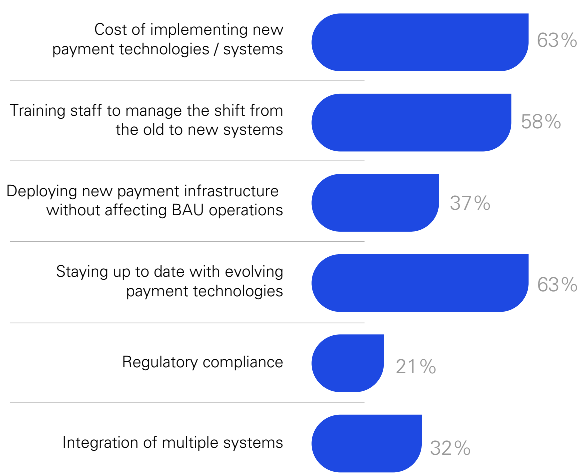
For Retailers, embracing digitalisation has become a question of survival. While many consumers now purchase most of their groceries online, they still rely on physical stores for fresh produce. This presents a challenge for Retailers, who are grappling with the balance between maintaining physical storefronts and migrating to online channels. The cost of operating physical stores, coupled with the growing preference for online shopping, has forced Retailers to carefully evaluate their channel strategies."

**Goncalo Traquina, Partner**
**KPMG Lower Gulf**

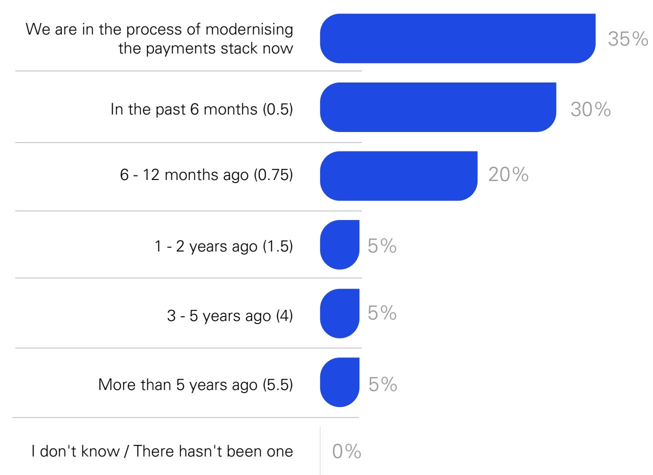
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Middle East Analysis for Retailers

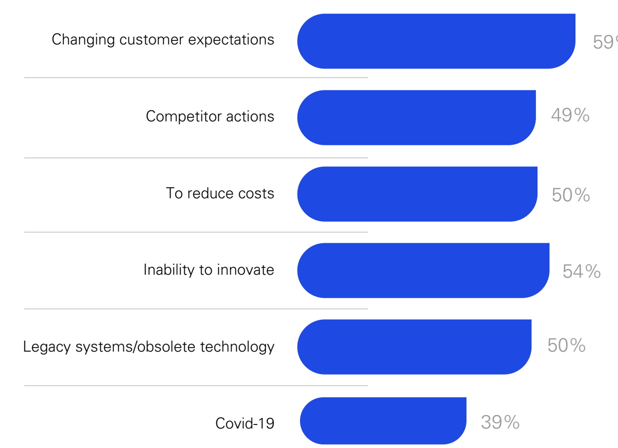
### Challenges faced in payments modernisation



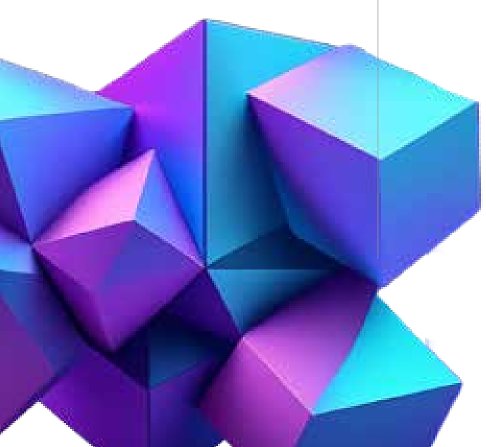

### Significant modernisation status




### Drivers for change



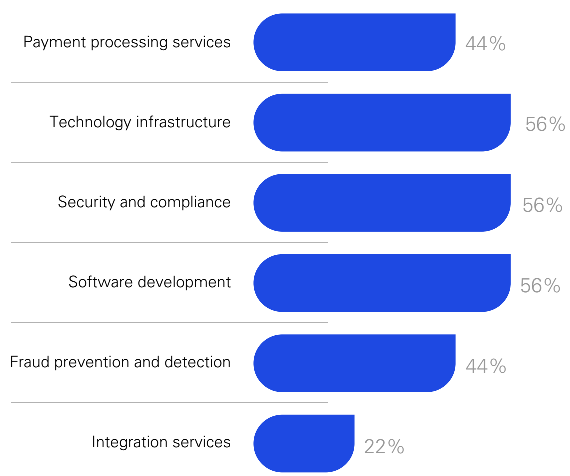

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



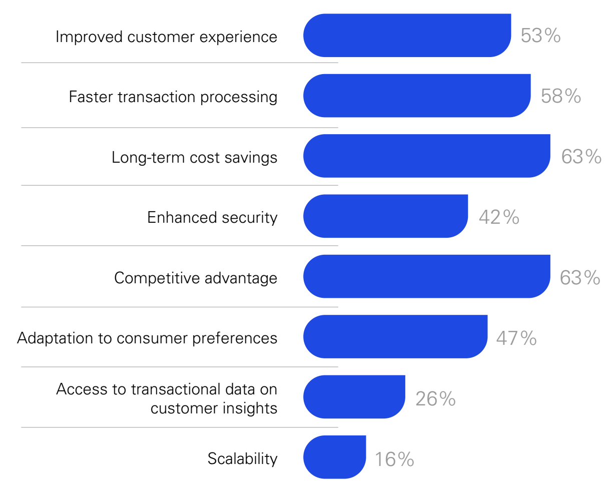


# Key Findings – Middle East Analysis for Retailers (cont.)

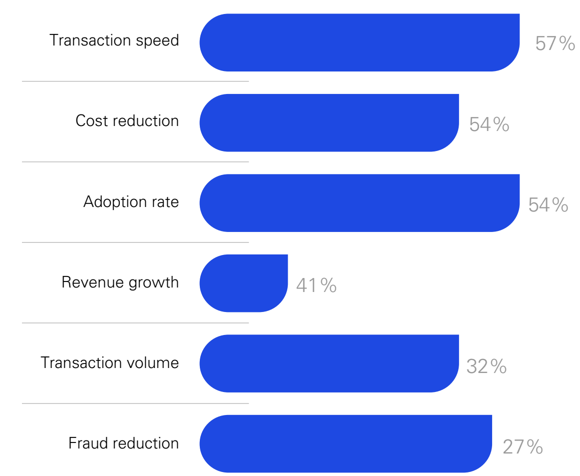
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits

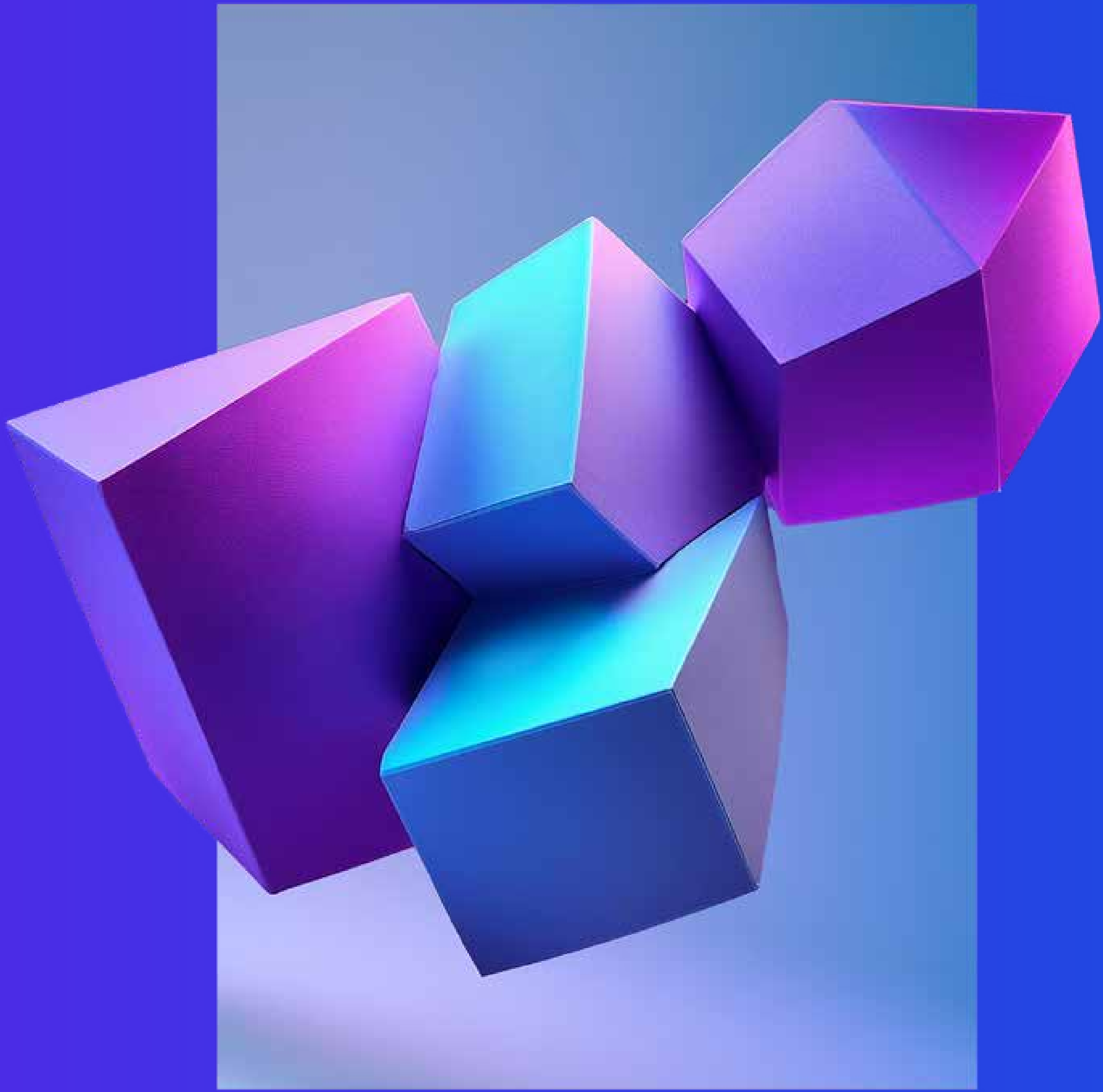



### Most common KPIs




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# 02 Country specific analysis



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# UK Financial Institutions

**The UK payments market is at an inflection point with the publication of the Future of Payments report in 2023 and implementation of the new National Payments Vision a priority for Financial Institutions in 2025. With further planned change on central infrastructure capability, Financial Institutions need to continue to invest to keep up.**

Historically, the UK payment regulators have driven mandated change, directing those operating in the space to meet certain requirements with the overall aim to benefit users. This approach has been identified by Financial Institutions as a barrier to innovation and, like other markets, big tech has entered and created new dynamics to consider.

### Key Stats

- **89%** of Financial Institutions already have payments modernisation programmes underway or have plans to launch one which is in line with other global regions.
- For **18%** of respondents, regulatory requirements is the most significant factor triggering their payments modernisation programme.
- **$18.4 million** is the average investment in a payments modernisation programme for Financial Institutions.

Fraud remains a major focus, with new reimbursement requirements for authorised push payment (APP) fraud coming into force in October. These changes will require firms to modify how money is returned and reported to regulators. Despite the uncertainty surrounding the government's plans, payments modernisation programmes are already underway. 89% of Financial Institutions have programmes in progress or planned, aligning with trends in other global regions. Regulatory requirements are the primary driver for these programmes, in stark contrast to the trend in most other countries that are modernising due to changing customer expectations. The scope of modernisation programmes typically includes payment engine upgrades (56%) and digital channel implementation/upgrades (55%). The approximate budget for these programmes is between $10 and $25 million (49%), and 53% of Financial Institutions expect to start their programmes within the next 3-6 months. Success will be measured primarily by cost reduction (54%) and transaction speed (46%). 80% of Financial Institutions plan to outsource at least part of their infrastructure, with fraud prevention and detection, security and compliance, and technology infrastructure being the main areas. The top two challenges identified are integrating multiple systems and deploying new payment infrastructure without disrupting business-as-usual operations.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – UK Analysis for Financial Institutions

The leading expected benefits of the payments modernisation programmes:

- **Long-term cost saving**
- **Improved customer experience**
- **Enhanced security**

---

The most difficult challenges faced by the UK Financial Institutions embarking on payments modernisation are:

- **Integration of multiple systems**
- **Deploying new payment infrastructure without affecting BAU operations**
- **Regulatory Compliance**

---

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Cost reduction**
- **Transaction speed**
- **Fraud reduction**

Payments modernisation programmes are broad in scope, but 56% of respondents are focused on payment engines. 55% are also including digital channel implementation/upgrade.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – UK Analysis for Financial Institutions

**15 months**

is the average time since the last significant modernisation of payments capabilities. With 45% having completed a programme of such work within the last 12 months.

**56%**

of Financial Institutions surveyed state that regulatory requirements is a key driver for payments modernisation.

**52%**

of Financial Institutions state changing customer expectations is also a clear driver for creating the need for payments modernisation.

**80%**

have/are planning to outsource any part of the modernisation programme, with fraud prevention being most commonly outsourced.

**38 is the average number of people allocated to work on modernisation programmes.**

**52% of Financial Institutions state that an economic downturn is an element of the wider payments ecosystem that they fear could impact modernisation programme delivery roadmaps.**



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# KPMG Insight

"With the government's publication of the National Payments Vision, resources will need to be allocated quickly to support the short and medium term priorities for industry. The UK now has clear direction and support from government to build and deliver world leading payments services. Banks have long called for a reduced regulatory burden, as they have highlighted a large proportion of their change budgets go on regulatory projects. They will be waiting to see how the government approaches the decision on the FPS scheme and what products or services they can offer, or would need to adapt.

The emergence of Big Tech exacerbated the reliance on cards in the UK, with ApplePay and GooglePay becoming the norm rather than the exception and contactless use continuing to rise. Open Banking is being explored as a real alternative with volumes increasing and we appear to be getting closer to it delivering a service that could compete with the traditional payment methods in the UK.

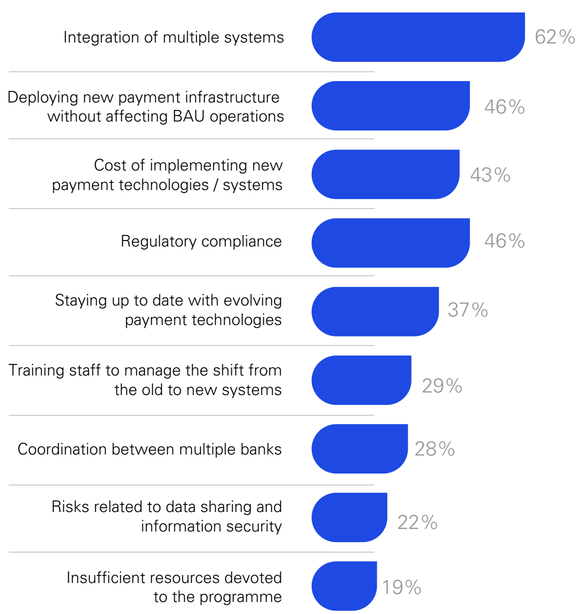
We're also seeing firms look to see how they can utilise new technologies, and where these could deliver cost reductions and customer service improvements. AI is seen as a tool that can help tackle fraud by improving detection, personalising customer experiences and enhancing processes around onboarding. The government has committed to simplifying the regulatory landscape to enable banks to deliver more innovation."

**Peter Harmston, Partner, Head of Payments Consulting**
**KPMG in the UK**

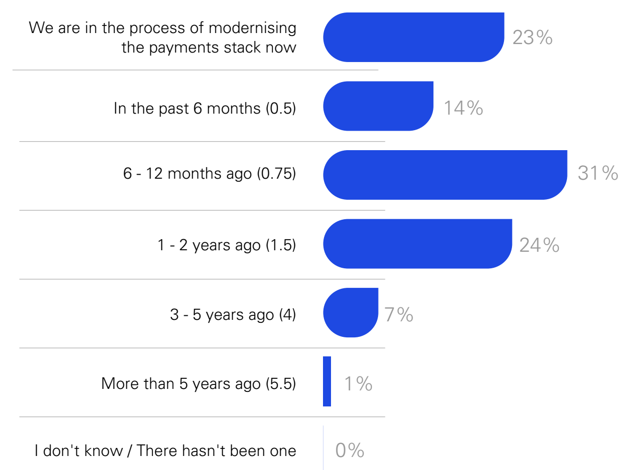
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – UK Analysis for Financial Institutions

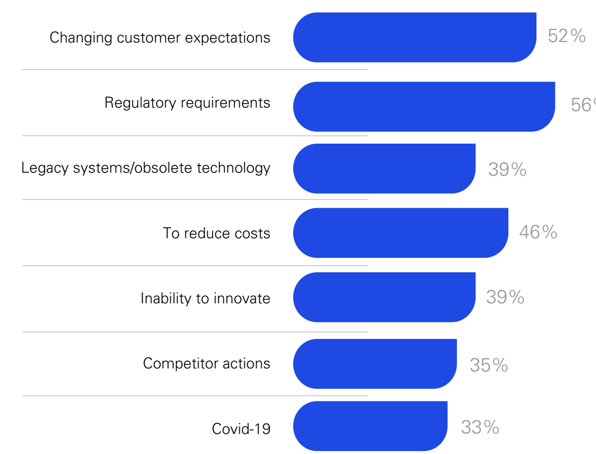
### Challenges faced in payments modernisation




### Significant modernisation status



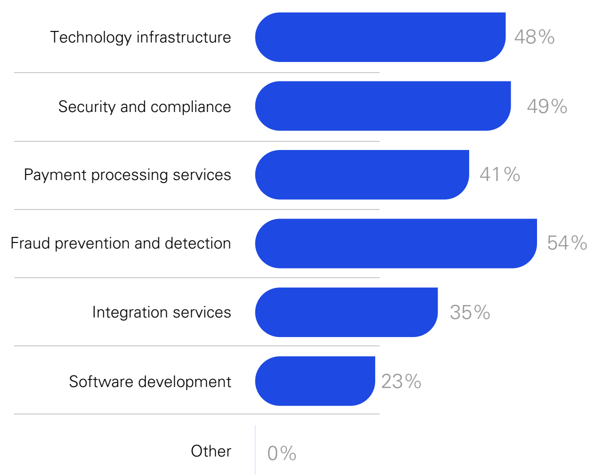

### Drivers for change



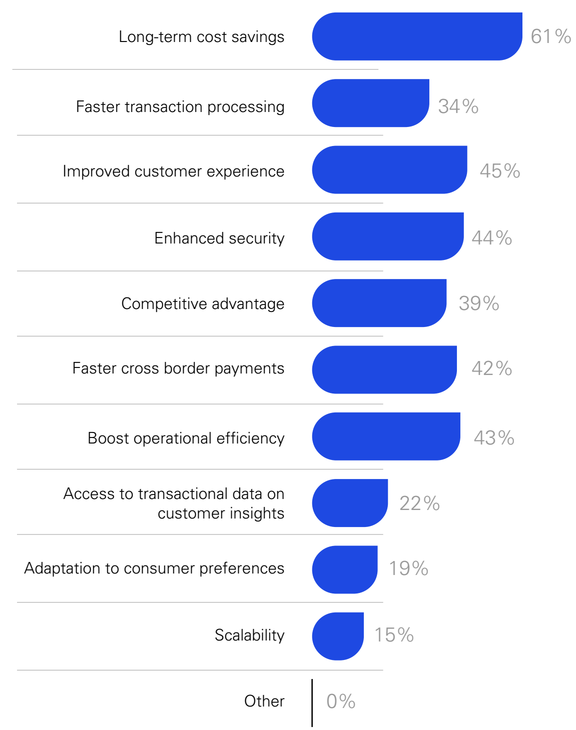

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – UK Analysis for Financial Institutions (cont.)

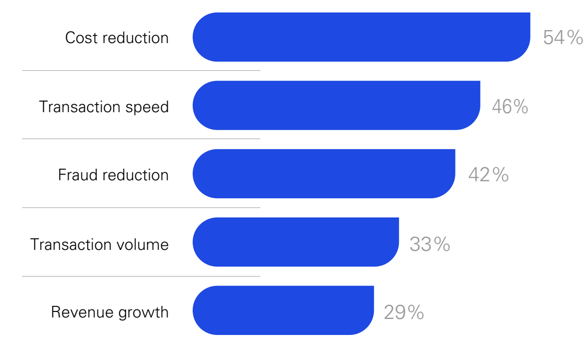
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits




### Most common KPIs




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

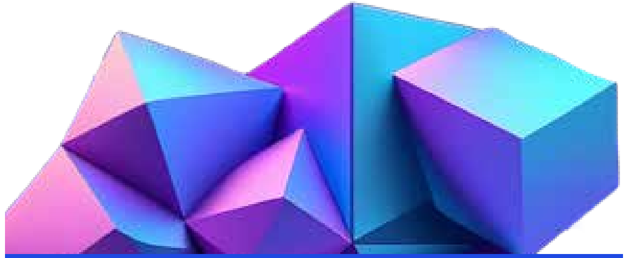
# UK Retailers

**Rising costs are the headline challenge that Retailers in the UK are facing, whilst price sensitive consumers remain selective about their spending. Supply chain pressures continue, driven by energy prices and geopolitical upheaval, and UK Retail estimates the October 2024 budget will increase labour costs by £7 billion (around $9 billion).**

Many Retailers have struggled, with some high profile businesses being unable to continue trading in current conditions. Continued technology investment is required to provide the digital experience customers expect, to capture, structure and leverage data from across the business, and to make use of developing opportunities from AI. One area of development to support these is payments modernisation. 84% of Retailers already have such programmes underway or planned, with a focus on digital payments and new methods of payment. Even with some household budgets easing, consumers still demand price competitiveness, with a focus on either price directly, or discounts offered through loyalty schemes for those who are part of the membership scheme; noting there is no limit on how many membership schemes a consumer can join.

Consumers expect payment options to keep pace with digital development, meaning that 67% of retail respondents said they are prioritising digital payments implementation and 58% focusing on new payment methods.

These programmes typically have a budget of $2-5 million and are expected to start within the next 3-6 months. Success will be measured by transaction speed (65%) and cost reduction (54%). Interestingly, 81% of Retailers plan to outsource parts of their infrastructure, mainly payment processing, technology, and security. However, the cost of implementing new technologies and training staff remain key challenges.



**Key Stats**

- **84%** of Retailers already have payments modernisation programmes underway or have plans to launch one.
- For **32%** of respondents, changing customer expectations is the most significant factor which is triggering their payments modernisation programme.
- **67%** of respondents are planning for a budget of between **$2 million** and **$5 million** for their payments modernisation programme.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – UK Analysis for Retailers

The leading expected benefits of the payments modernisation programmes:

- **Improved customer experience**
- **Faster transaction processing**
- **Long-term cost savings**

---

The most difficult challenges faced by the UK Retailers embarking on payments modernisation are:

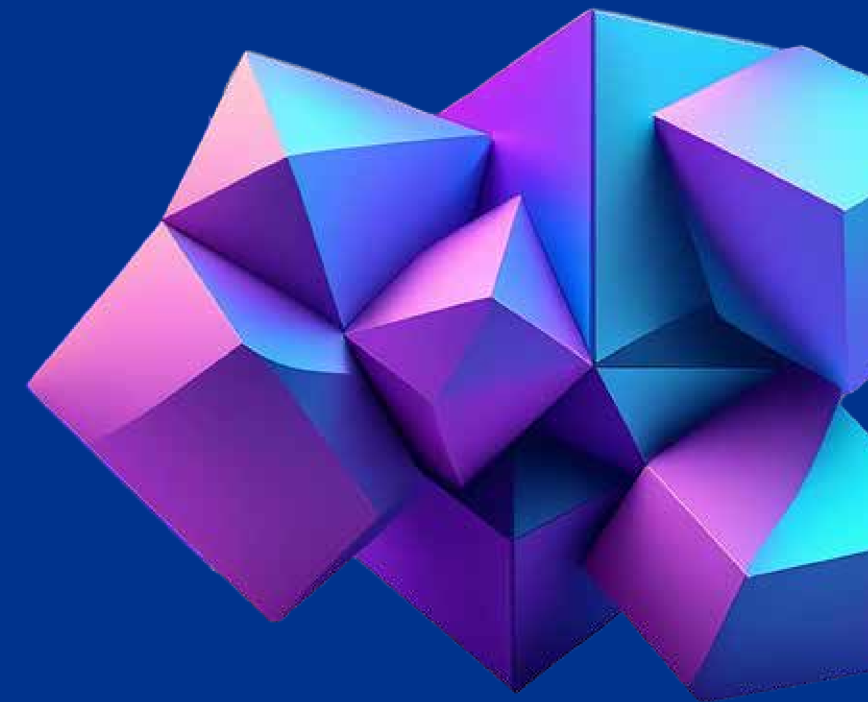
- **Cost of implementing new payment technologies / systems**
- **Training staff to manage the shift from the old to new systems**
- **Staying up to date with evolving payment technologies**

---

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Transaction speed**
- **Cost reduction**
- **Revenue growth**

Payments modernisation programmes are broad in scope, but 67% of respondents are focused on digital payments implementation / upgrades. 58% are also including new payment methods.



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – UK Analysis for Retailers

**13 months**

since the last significant modernisation of payments capabilities. With 51% having completed a programme of such work within the last 12 months.

**68%**

of Retailers surveyed state that changing customer expectations is a key driver for payments modernisation.

**55%**

of Retailers state that competitor actions are also a clear driver for creating the need for payments modernisation.

## 24 is the average number of people allocated to work on modernisation programmes.

**94%**

of Retailers currently offer or intend to offer digital apps to customers, with 62% already offering them.

**93%**

of Retailers currently offer or intend to offer digital wallets to customers, with 64% already offering them.

**81%**

have/are planning to outsource part of the modernisation programme, with the following being most commonly outsourced: Payment processing services, Technology infrastructure, Security and Compliance.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# KPMG Insight

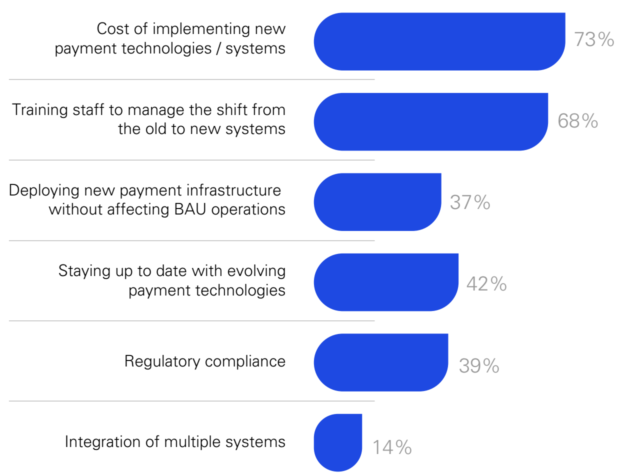
"Modernising payments in retail is no longer optional. UK Retailers continue to face a challenging environment with rising costs, price-sensitive consumers, and supply chain pressures, added to by huge labour cost increases coming in soon from the recent government budget. The challenge to remain competitive on price means Retailers have had to go ruthlessly through a line-by-line review of their P&L to identify value opportunities. This has included looking at product and range, channels – with some Retailers closing their digital ordering options or restricting over-returning customers for instance. Whilst Retailers look to other revenue streams, such as retail media or financial services, the bigger players who had previously ventured more fully into the FI market have now exited. As consumers demand faster, more secure and convenient experiences, Retailers must integrate technologies like digital wallets, buy-now-pay-later options and contactless solutions. Historically Retailers have focused on the customer interfaces and invested in the digital front end, however the neglect of the back-end technologies has led to creaking infrastructure, and an enormous upgrade is going on across UK retail. Input cost increases, plus this need for significant CapEx investment, means every Retailer is looking at cost programmes either end-to-end across the business, in functions, or both."

**Linda Ellett, Head of Consumer, Retail & Leisure**
**KPMG in the UK**

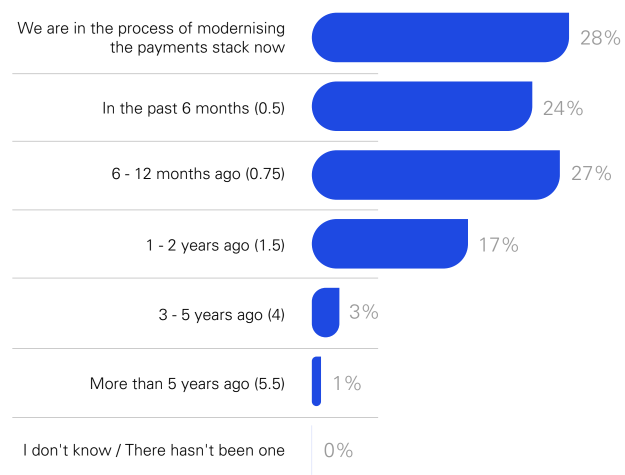
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – UK Analysis for Retailers

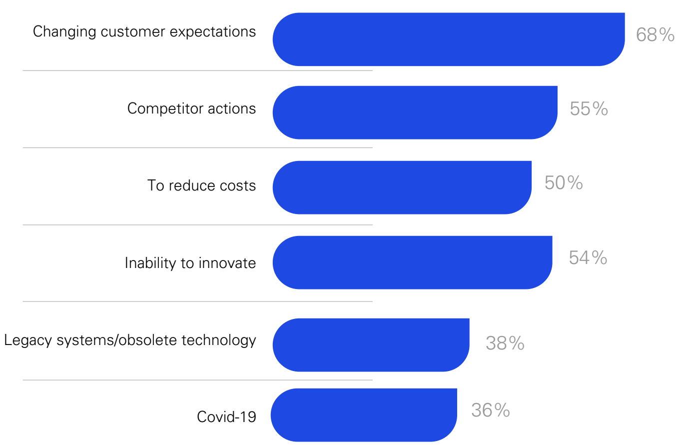
### Challenges faced in payments modernisation




### Significant modernisation status



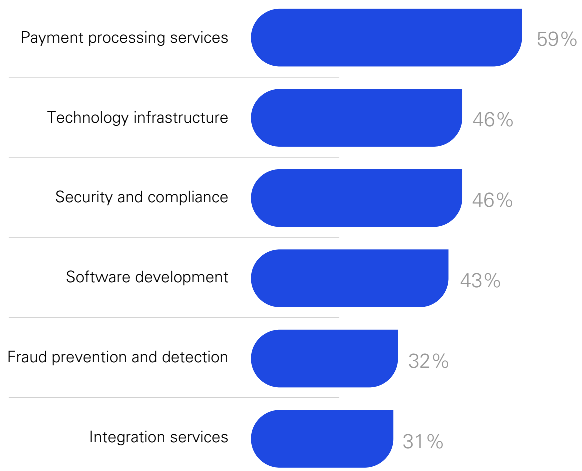

### Drivers for change



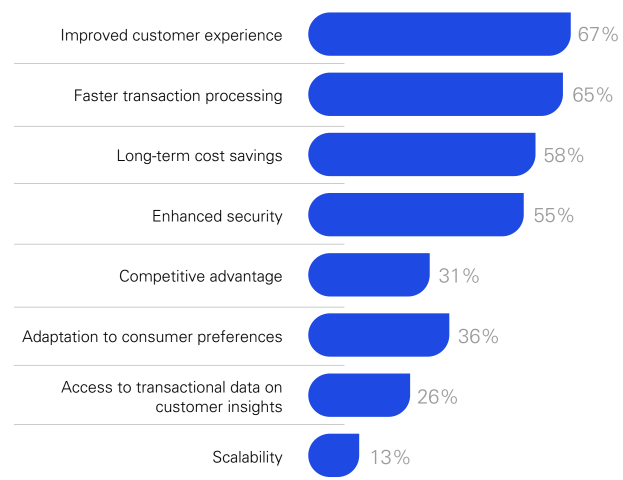

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – UK Analysis for Retailers (cont.)

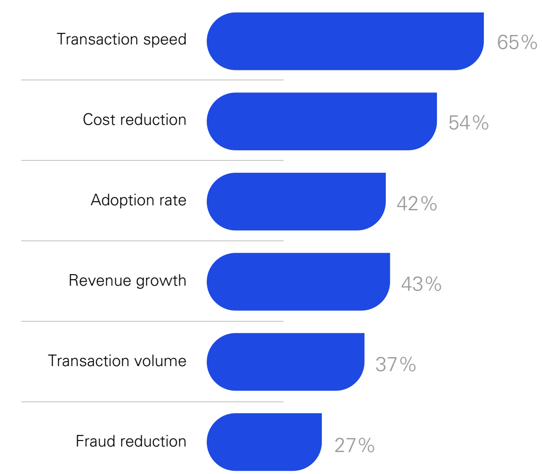
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits




### Most common KPIs




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

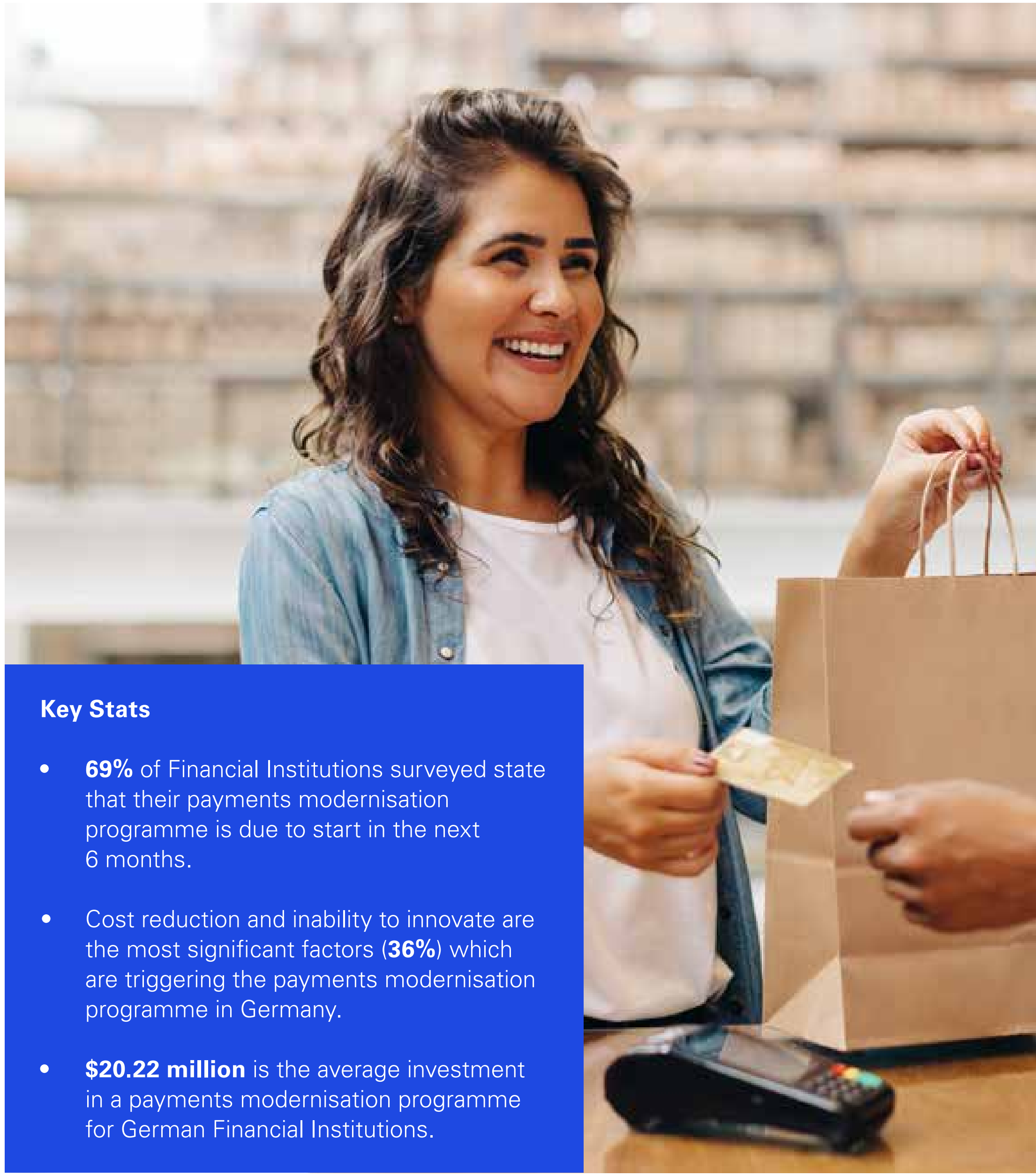
# Germany Financial Institutions

**German Financial Institutions are increasingly prioritising payments modernisation to remain competitive and align with European standards. Currently, 91% of institutions plan to launch such initiatives, driven largely by the need to reduce costs and address challenges in innovation, with 36% of Financial Institutions highlighting these as critical factors. The average investment in modernisation programmes stands at $20.22 million.**

The primary objectives include achieving long-term cost efficiency, faster transaction processing, and enhanced security. However, institutions face significant obstacles, including the integration of multiple systems, maintaining business continuity during transitions, and meeting regulatory compliance requirements. Key metrics used to evaluate success focus on cost reduction, fraud prevention and transaction speed.

Modernisation efforts are broad in scope, but 68% of programmes target upgrading payment engines, with 55% incorporating customer experience enhancements. Most institutions anticipate a 26 month timeline for implementation, and 69% aim to begin within six months. Outsourcing plays a major role, as 89% of respondents are delegating areas such as technology infrastructure, security, and compliance. Teams of 36 individuals, on average, are dedicated to these projects. Economic uncertainty and incompatible emerging technologies pose risks, and potential disruptions to the payments modernisation process. These insights highlight a focused yet challenging transformation landscape for German Financial Institutions.

In conclusion, German Financial Institutions are embracing payments modernisation to enhance efficiency, faster transaction processing and security, despite challenges like integration and compliance. Their efforts signal a transformative, future ready financial ecosystem and positioning Germany as one of the leaders in the European payments landscape.



### Key Stats

- **69%** of Financial Institutions surveyed state that their payments modernisation programme is due to start in the next 6 months.
- Cost reduction and inability to innovate are the most significant factors (**36%**) which are triggering the payments modernisation programme in Germany.
- **$20.22 million** is the average investment in a payments modernisation programme for German Financial Institutions.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Germany Analysis for Financial Institutions

The leading expected benefits of the payments modernisation programmes:

- **Long-term cost saving**
- **Faster transaction processing**
- **Enhanced security**

---

The most difficult challenges faced by German Financial Institutions embarking on payments modernisation are:

- **Integration of multiple systems**
- **Deploying new payment infrastructure without affecting BAU operations**
- **Regulatory compliance**

---

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Cost reduction**
- **Fraud reduction**
- **Transaction speed**

Payments modernisation programmes are broad in scope, but 68% of respondents are focused on payment engines. 55% are also including customer experience.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Germany Analysis for Retailers

**26 months**

is the average time for the completion for the payments modernisation programme.

**48%**

of Financial Institutions surveyed state that legacy systems and obsolete technology is a key driver for payments modernisation.

**46%**

of Financial Institutions state changing customer expectations is also a clear driver for creating the need for payments modernisation.

**89%**

have/are planning to outsource any part of the modernisation programme, with Technology infrastructure and Security and compliance being most commonly outsourced.

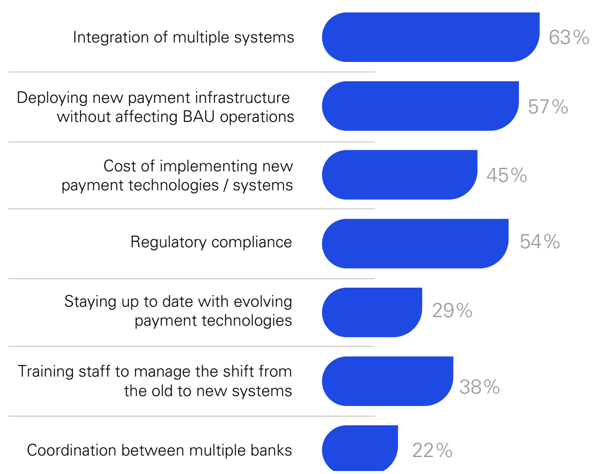
**36 is the average number of people allocated to work on modernisation programmes.**

**67% of Financial Institutions surveyed state that 'Emerging technologies that are not compatible' could impact delivery roadmap the wider payments ecosystem.**

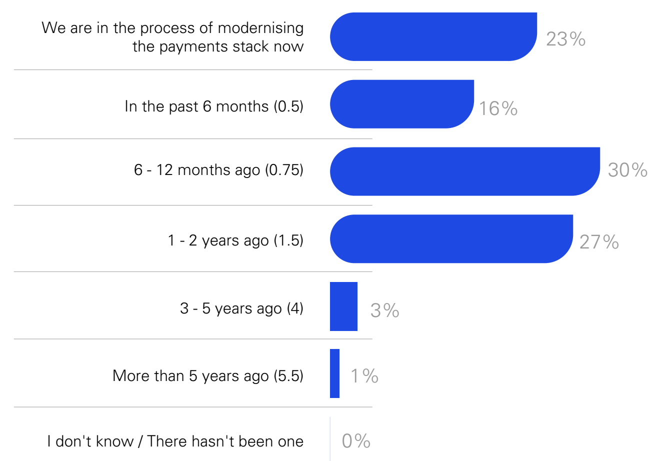
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Germany Analysis for Financial Institutions

### Challenges faced in payments modernisation




### Significant modernisation status

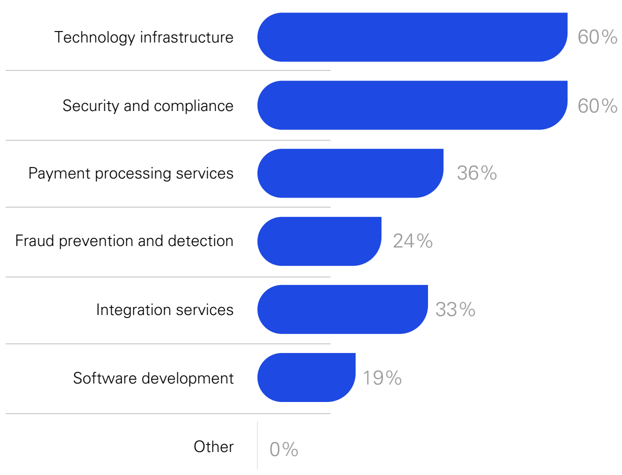



### Drivers for change

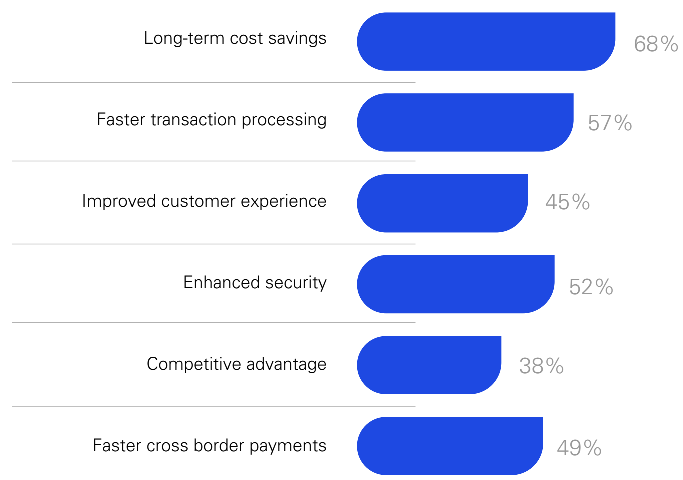

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Germany Analysis for Financial Institutions (cont.)

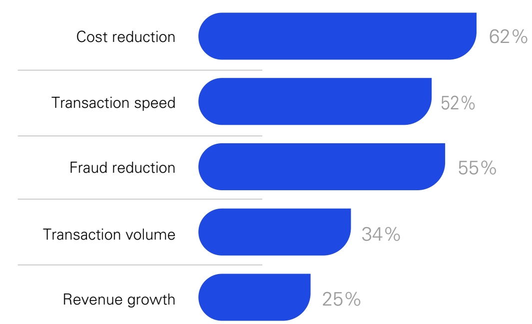
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits




### Most common KPIs




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



# Germany Retailers

**German Retailers are actively seeking ways to optimise their payments landscape, aiming to reduce costs and leverage technology for a more customer-centric approach. Real-time payments and settlement are being explored, though regulatory hurdles remain.**

Payments are increasingly viewed as a key customer touchpoint, driving technology decisions. Retailer apps are gathering valuable data on customer behaviour, enabling personalised offers and operational insights. Cash remains strong, but demographics are shifting, and Retailers are expected to adapt.

Modernisation programmes are high on the agenda, with 76% of Retailers planning such initiatives. Legacy systems are the main driver, with digital payments implementation and new payment methods being key priorities. Budgets range from $2 million to $5 million, with most programmes starting within the next 6 months. Success will be measured by cost reduction and transaction speed. Outsourcing is common, with 44% planning to do so, mainly for payment processing, technology infrastructure, and security. Cost of implementing new payment technologies/systems and training staff to manage the shift from the old to new systems are the top challenges.

### Key Stats

- **80%** of Retailers already have payments modernisation programmes underway or have plans to launch one.
- **25%** of respondents say legacy systems and obsolete technology are the most significant factors that are triggering their payments modernisation programme.
- **$4.56 million** is the average investment in a payments modernisation programme for Retailers.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Germany Analysis for Retailers

The leading expected benefits of the payments modernisation programmes:

- **Improved customer experience**
- **Faster transaction processing**
- **Enhanced security**

The most difficult challenges faced by the German Retailers embarking on payments modernisation are:

- **Cost of implementing new payment technologies / systems**
- **Training staff to manage the shift from the old to new systems**
- **Deploying new payment infrastructure without affecting other operations**

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Cost reduction**
- **Transaction speed**
- **Adoption rate**

Payments modernisation programmes are broad in scope, but 56% of respondents are focused on digital payments implementation / upgrades. 52% are also including new payment methods.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Germany Analysis for Retailers

## 11 months

is the average time since the last significant modernisation of payments capabilities. With 73% having completed a programme of such work within the last 12 months.

## 65%

of Retailers surveyed state that competitor actions is a key driver for payments modernisation.

## 60%

of Retailers state that legacy systems / obsolete technology are also a clear driver for creating the need for payments modernisation.

**22 is the average number of people allocated to work on modernisation programmes.**

## 96%

of Retailers currently offer or intend to offer digital apps to customers, with 54% already offering them.

## 96%

of Retailers currently offer or intend to offer digital wallets to customers, with 77% already offering them.

## 83%

have/are planning to outsource part of the modernisation programme, with the following being most commonly outsourced: payment processing services, technology infrastructure, security and compliance.

KPMG

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# KPMG Insight

"We have seen efforts by Retailers to reduce their cost base, and look to identify opportunities where they could move their payments value chain responsibility, and benefits, away from the banks. Real-time payments, and settlement of transactions, are areas firms are exploring to understand how they can be built within their own infrastructures, though regulations are potential barriers to this.

Payments are now seen as an active interface between Retailers and their customers, and that awareness is driving technology decisions. A push by Retailers to move customers towards their own apps is creating an opportunity to better analyse customer behaviour and target them with personalised pricing and offers. This information can help improve operational decisions as well as forecasting, enabling Retailers to remain competitive.

Cash remains strong within Germany, with consumers continuing to have confidence and trust in it. Demographics are shifting this demand but Retailers are expected to continue to support its use.

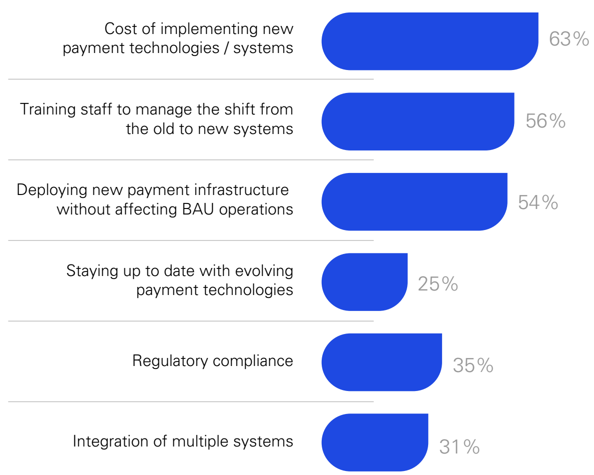
Many of the large Retailers in Germany operate across Europe, so they keep a keen eye on regulation across their whole market."

**Stephan Fetsch, EMEA Head of Consumer Goods & Retail**
**KPMG in Germany**

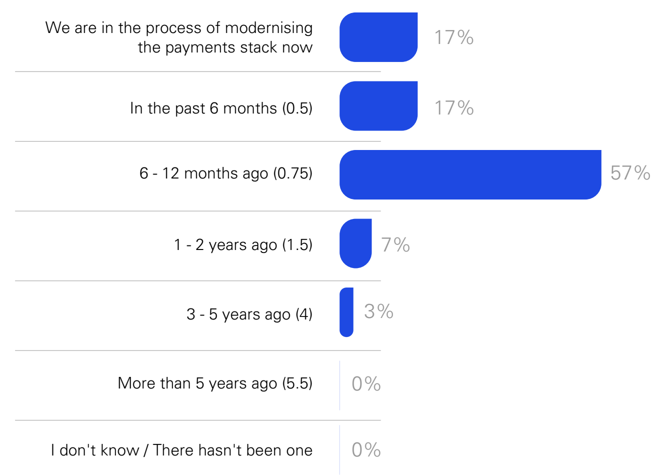
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Germany Analysis for Retailers

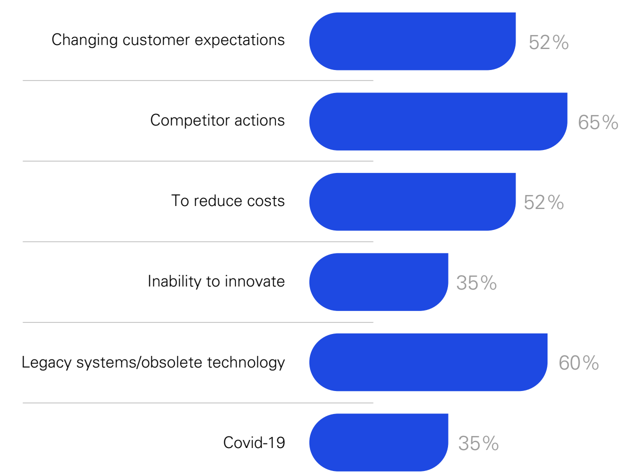
### Challenges faced in payments modernisation




### Significant modernisation status



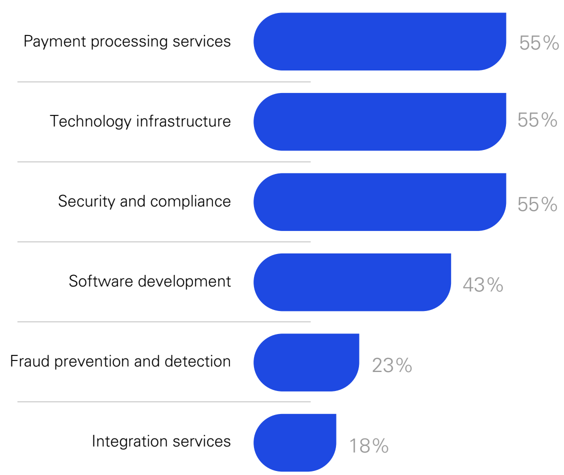

### Drivers for change



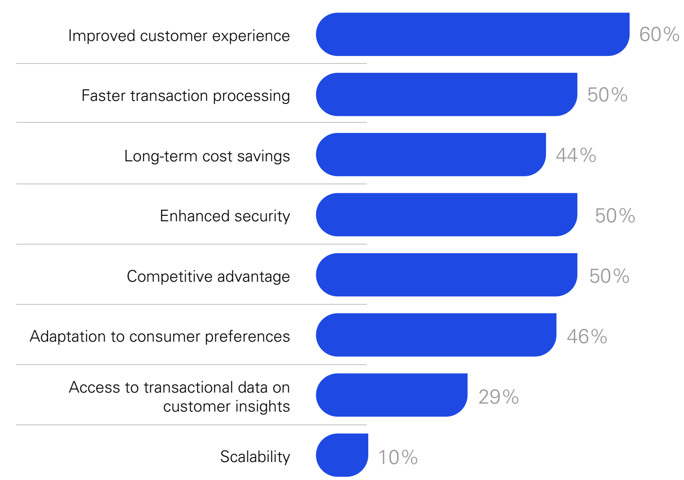

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Germany Analysis for Retailers (cont.)

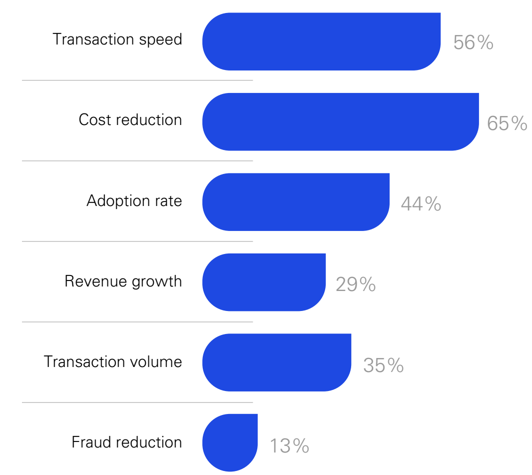
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits




### Most common KPIs




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# France Financial Institutions

**The French payments market is witnessing a pivotal transformation, driven by consolidation, a focus on customer needs, and regulatory requirements with 87% of institutions already engaged in or planning payments modernisation programmes.**

Banks are investing in new technologies and partnerships to improve efficiency, reduce costs, and offer innovative payment solutions. The primary driver for this shift is the impact of Covid-19, which accelerated the need for digital solutions.

Payment engine upgrades and enhanced customer experience are the top priorities for these programmes, with 57% and 56% of respondents ranking them as the most important factors, respectively. The average budget for these initiatives falls between $10 and $25 million, and a majority (58%) are set to begin within the next six months.

However, they face challenges such as slow innovation, risk aversion, and competition from fintechs. Opportunities exist for cross-selling, end-to-end solutions, and data analytics. Experts emphasise the importance of considering programme scope, regulatory impact, and cross-selling potential.

By understanding these factors, banks can develop effective strategies to modernise their payments offerings and remain competitive. Success will be measured primarily through cost reduction (44%) and fraud reduction (36%). Interestingly, 93% of institutions plan to outsource at least part of their infrastructure, with fraud prevention, security compliance, and integration services being the main areas.

**Key Stats**

- **87%** of Financial Institutions already have payments modernisation programmes underway or have plans to launch one which is in line with other global regions.
- For **20%** of respondents, Covid-19 was the most significant factor which triggered their payments modernisation programme.
- **$18.6** million is the average investment in a payments modernisation programme for Financial Institutions.

KPMG

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – France Analysis for Financial Institutions

The leading expected benefits of the payments modernisation programmes:

- **Long-term cost saving**
- **Competitive advantage**
- **Faster transaction processing**

The most difficult challenges faced by the French Financial Institutions embarking on payments modernisation are:

- **Cost of implementing new payment technologies / systems**
- **Integration of multiple systems**
- **Deploying new payment infrastructure without affecting BAU operations**

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Cost reduction**
- **Fraud reduction**
- **Transaction speed**

Payments modernisation programmes are broad in scope, but 57% of respondents are focused on payment engines. 56% are also including customer experience.

KPMG

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – France Analysis for Financial Institutions

**15 months**

is the average time since the last significant modernisation of payments capabilities. With 51% having completed a programme of such work within the last 12 months.

**49%**

of Financial Institutions surveyed state that cost reduction is a key driver for payments modernisation.

**48%**

of Financial Institutions state that inability to innovate is also a clear driver for creating the need for payments modernisation.

**36 is the average number of people allocated to work on modernisation programmes.**

**93%**

have/are planning to outsource part of the modernisation programme, with fraud prevention being most commonly outsourced.

**47% of Financial Institutions state that an economic downturn is an element of the wider payments ecosystem that they fear could impact modernisation programme delivery roadmaps.**

KPMG

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# KPMG Insight

"The French payment market is evolving rapidly, driven by a confluence of factors. Banks are consolidating and creating synergies to improve efficiency and reduce costs, and offer innovative payment solutions. However, they face challenges such as slow innovation, risk aversion, and competition from fintechs. Opportunities exist for cross-selling, end-to-end solutions, and data analytics.

The strong culture of risk aversion and compliance, and local features (eg. Local scheme co-branding) can hinder innovation by slowing the adoption of new technologies, and creating regulatory bottleneck, especially for disruptors. Recognising the need to adapt to evolving customer demands and accelerate innovation, French banks are increasingly turning to partnerships with Fintechs and Payment Service Providers (PSPs).

Regulatory requirements, such as PSD2 and Open Banking, are further driving innovation in the payments space. However, banks face challenges from Fintechs, which are often more agile and innovative. Legacy systems and data security concerns also pose significant hurdles. To overcome these challenges and capitalise on opportunities, banks are focusing on customer needs, investing in new technologies, and partnering with Fintechs.

Overall, the French payments landscape is evolving rapidly. By focusing on customer needs, investing in new technologies, and partnering with Fintechs, banks can position themselves for success in the years to come."

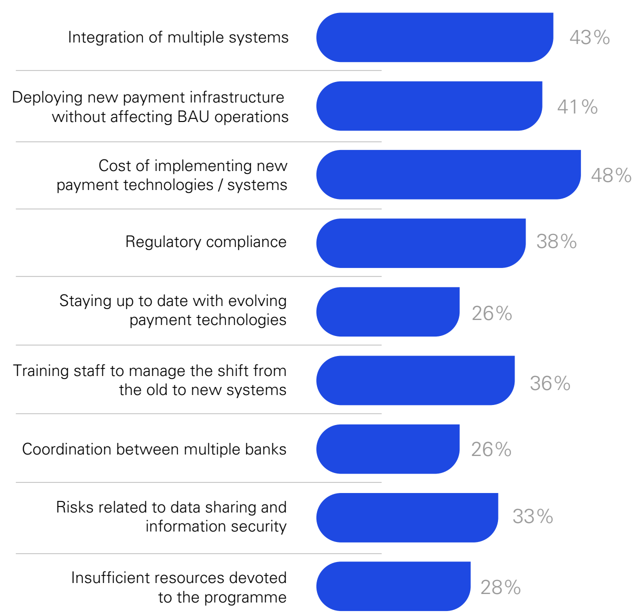
**Guillaume Petipas, Partner**
**KPMG in France**

**Zakaria Bouazzaoui, Director**
**KPMG in France**

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

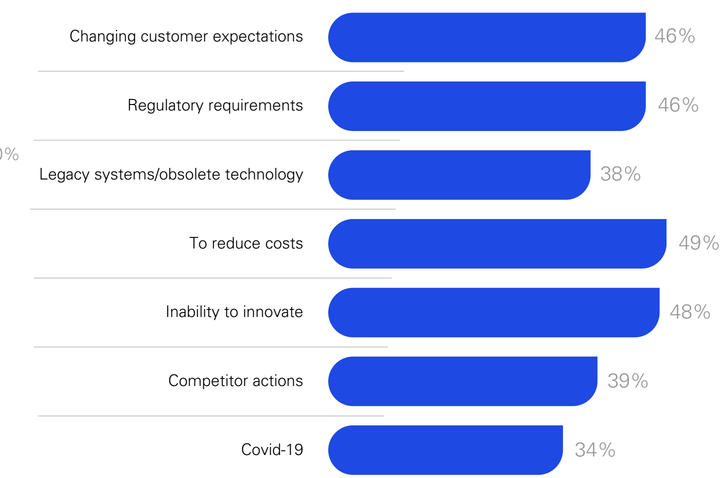
# Key Findings – France Analysis for Financial Institutions

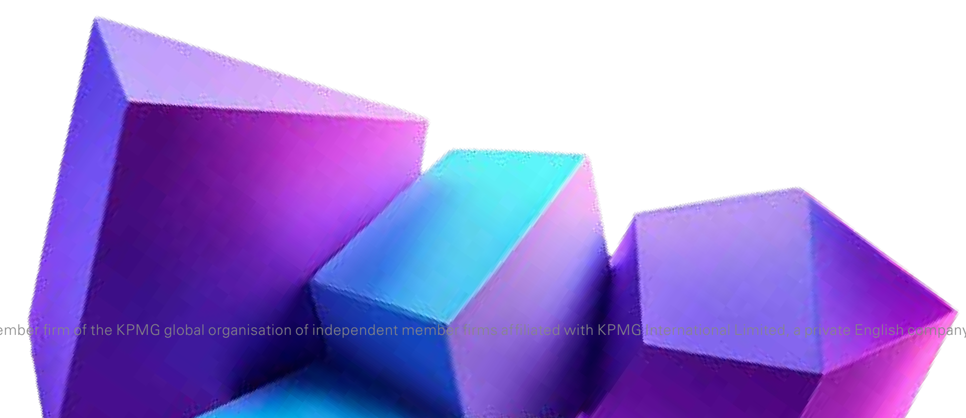
## Challenges faced in payments modernisation




## Significant modernisation status


## Drivers for change

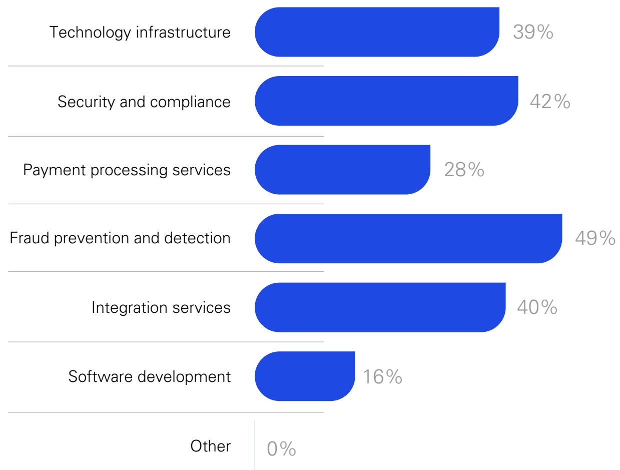


© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

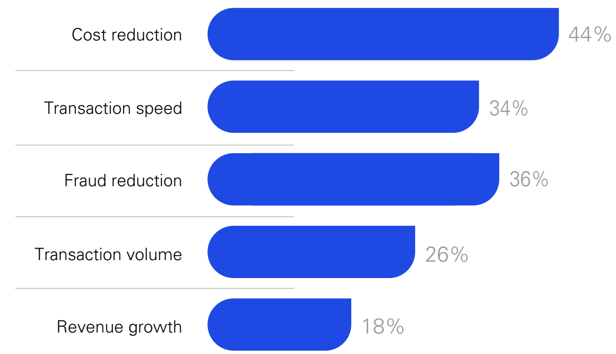
# Key Findings – France Analysis for Financial Institutions (cont.)

### Infrastructure which is most commonly outsourced




### Biggest perceived benefits


### Most common KPIs

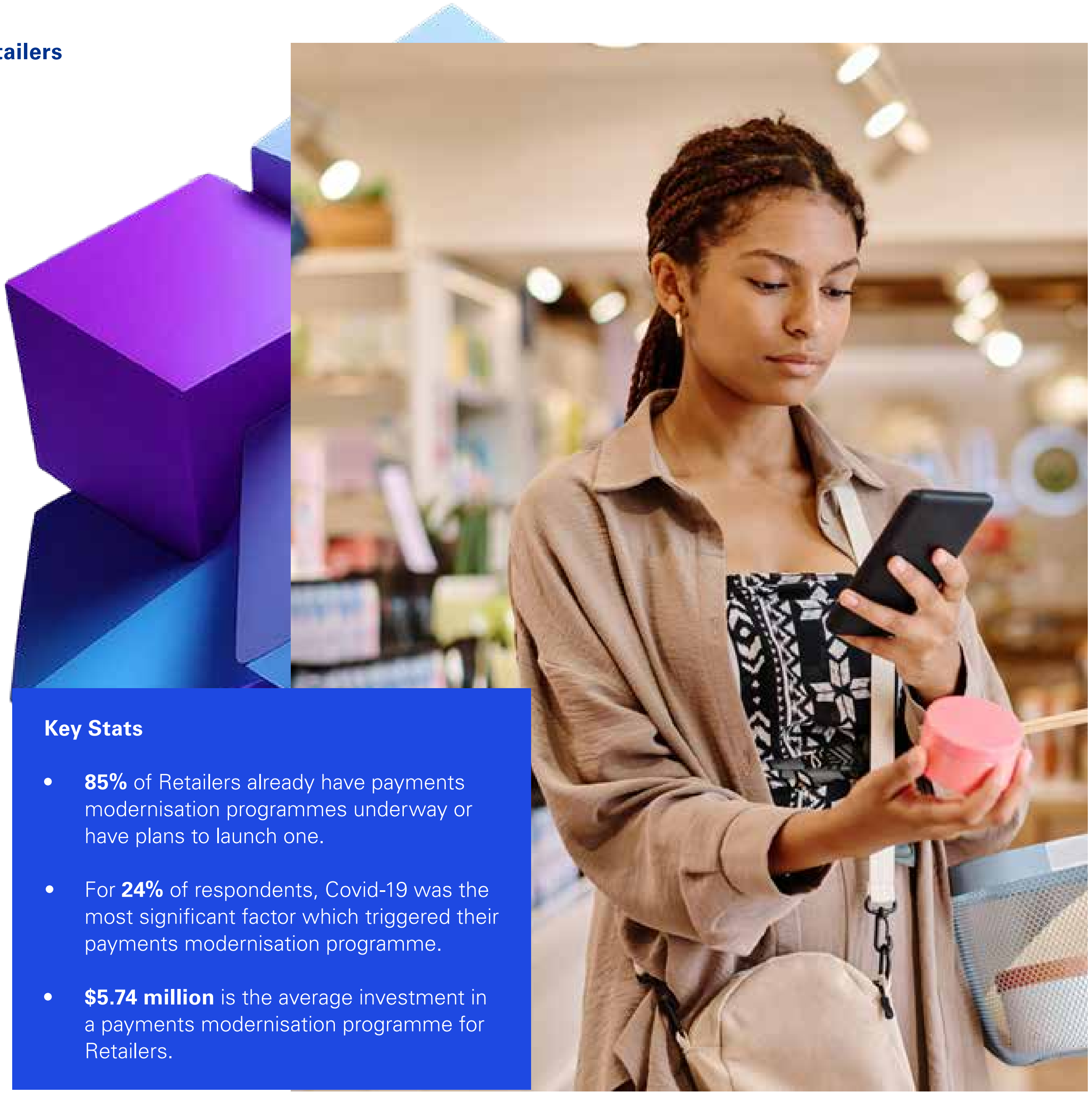



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# France Retailers

**French Retailers are prioritising customer experience and digital options in their payment propositions, echoing global trends.**

Over half of surveyed firms emphasise enhancing customer experience through digital options like tokenisation and new payment methods. The pandemic accelerated contactless transactions, reducing cash and cheque usage. However, account-to-account solutions haven't gained traction yet. French Retailers are investing in payment expertise, with senior positions increasingly filled by specialists. This empowers them to tackle challenges like acceptance rates, fraud prevention, and revenue generation. 82% of Retailers plan to initiate a modernisation programme, primarily driven by Covid-19. The focus will be on new payment methods and digital payments implementation/upgrades. The budget for these programmes is estimated between $5 million and $10 million, with 40% starting within the next 6-12 months. Success will be measured by cost reduction and transaction speed. Outsourcing is prevalent, with 51% currently outsourcing and 41% planning to do so. Payment processing services and technology infrastructure are the top outsourced areas. The main challenges faced are the cost of implementing new technologies and deploying new infrastructure without operational disruption.



### Key Stats

- **85%** of Retailers already have payments modernisation programmes underway or have plans to launch one.
- For **24%** of respondents, Covid-19 was the most significant factor which triggered their payments modernisation programme.
- **$5.74 million** is the average investment in a payments modernisation programme for Retailers.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – France Analysis for Retailers

The leading expected benefits of the payments modernisation programmes:

- **Improved customer experience**
- **Faster transaction processing**
- **Enhanced security**

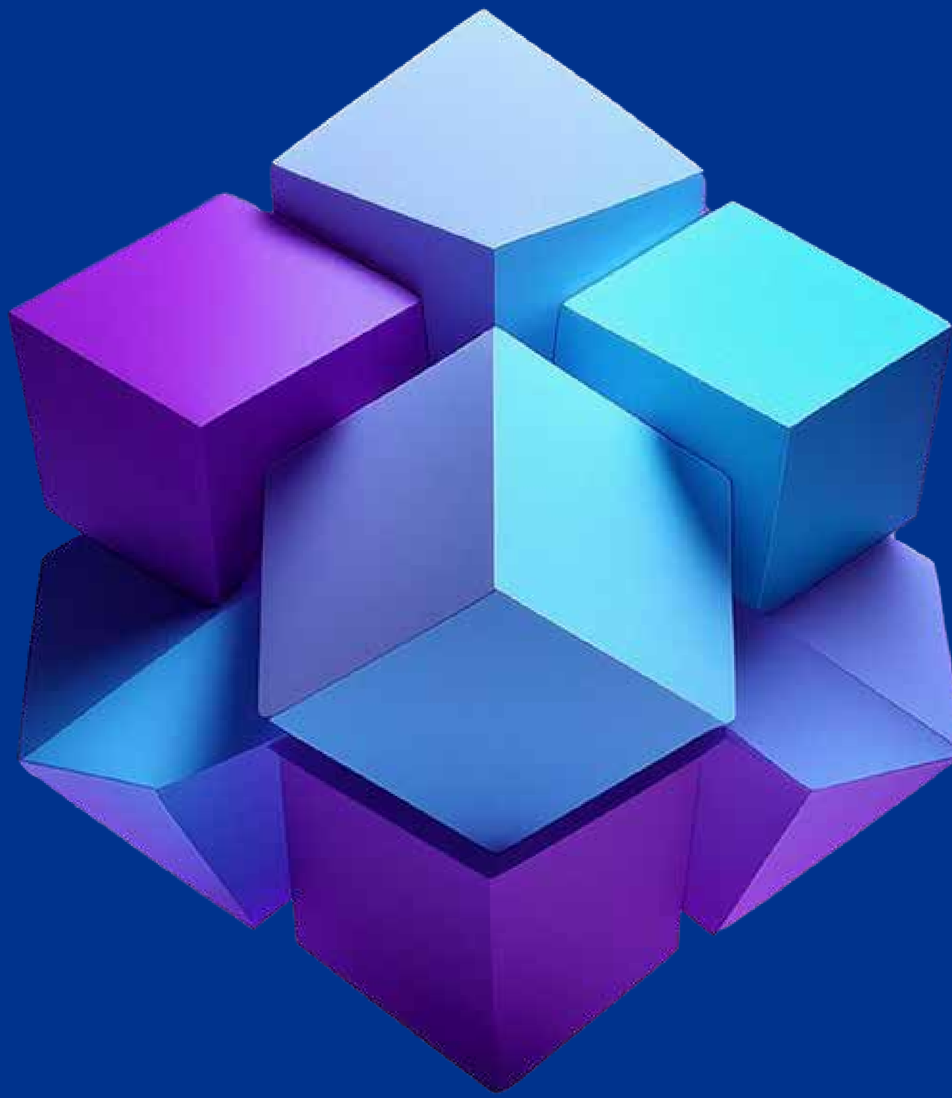
The most difficult challenges faced by the French Retailers embarking on payments modernisation are:

- **Cost of implementing new payment technologies / systems**
- **Deploying new payment infrastructure without affecting other operations**
- **Training staff to manage the shift from the old to new systems**

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Cost reduction**
- **Transaction speed**
- **Adoption rate**

Payments modernisation programmes are broad in scope, but 55% of respondents are focused on new payment methods. 53% are also including digital payments implementation / upgrades.



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – France Analysis for Retailers

**12 months**

is the average time since the last significant modernisation of payments capabilities. With 73% having completed a programme of such work within the last 12 months.

**71%**

of Retailers surveyed state that inability to innovate is a key driver for payments modernisation.

**59%**

of Retailers state that legacy systems / obsolete technology are also a clear driver for creating the need for payments modernisation.

**25 is the average number of people allocated to work on modernisation programmes.**

**92%**

of Retailers currently offer or intend to offer digital apps to customers, with 57% already offering them.

**77%**

of Retailers currently offer or intend to offer loyalty cards to customers, with 33% already offering them.

**92%**

have/are planning to outsource part of the modernisation programme, with Payment processing services being most commonly outsourced.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# KPMG Insight

"In line with global trends, French Retailers' payment propositions are primarily led by CFOs and Heads of Customers – sometimes Heads of Payments when the position has been created. They prioritise enhancing the customer experience through digital options, including tokenisation solutions and new payment methods. Over half of the interviewed firms emphasised this need.

France has its own local card scheme, Cartes Bancaires, with strict regulations regarding scheme fees and capped interchange. As a result of banks' growing collaborations with Payment Service Providers (PSPs), Retailers can now take advantage of the alternative payment methods offered by these providers. Similar to other markets, the pandemic accelerated the demand for contactless transactions and reduced cash and cheque usage. However, an account-to account solution has yet to emerge as a driving force. Several Western banks initiated Wero, an instant payment wallet – replacing Paylib in France – that is currently launched (October 2024) and will successively be aiming P2P, e-commerce and on-site merchant payments.

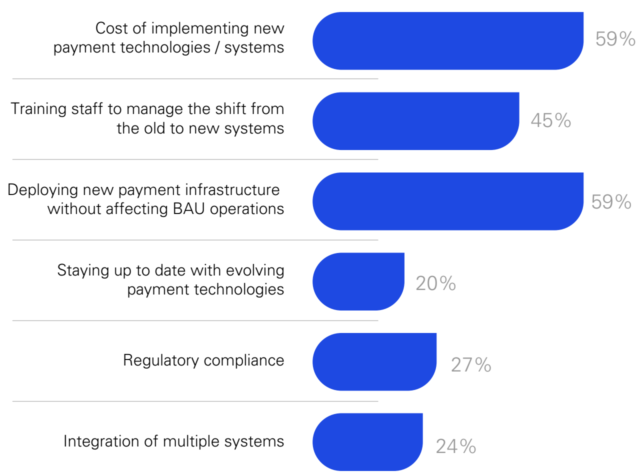
French Retailers have demonstrated a commitment to enhancing their payment expertise, with a growing number of senior positions being filled by payment specialists. This increased knowledge base has empowered them to develop comprehensive plans to address challenges related to acceptance rates, fraud prevention, and revenue generation. These efforts are crucial for maintaining competitiveness and driving the agenda of payments modernisation."

**Guillaume Petipas, Partner**
**KPMG in France**

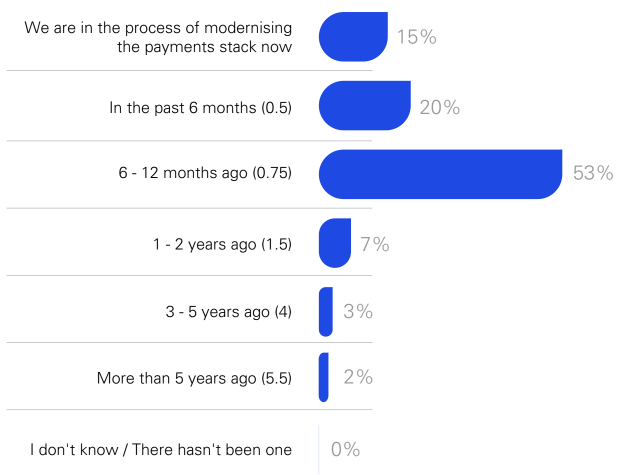
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – France Analysis for Retailers

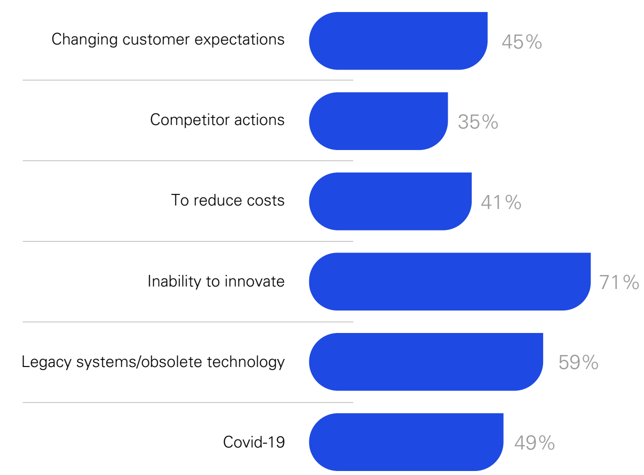
### Challenges faced in payments modernisation




### Significant modernisation status



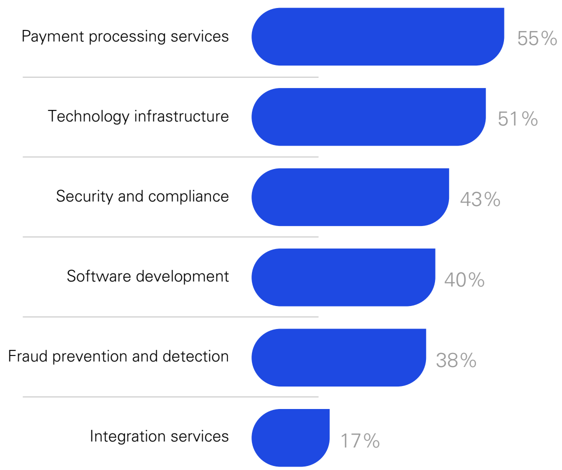

### Drivers for change



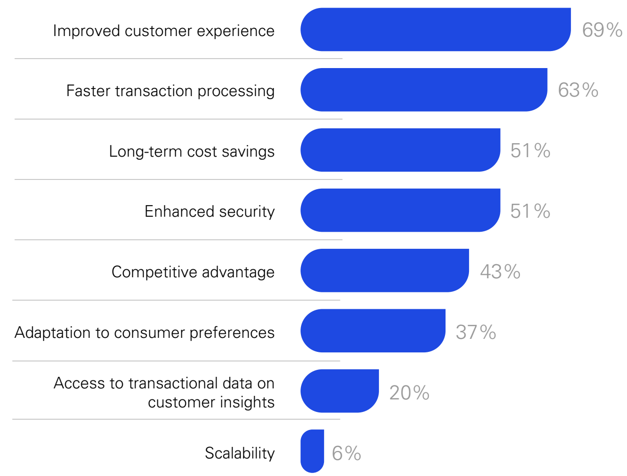

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – France Analysis for Retailers (cont.)

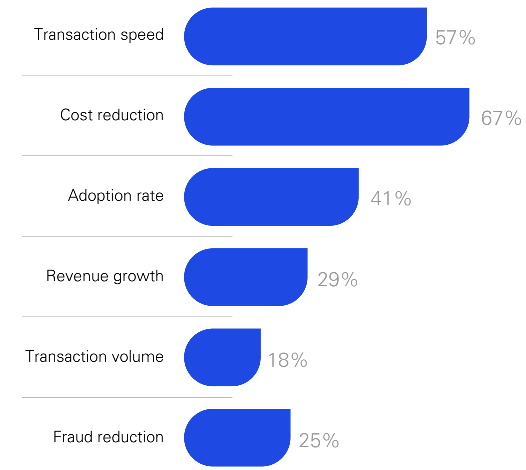
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits




### Most common KPIs

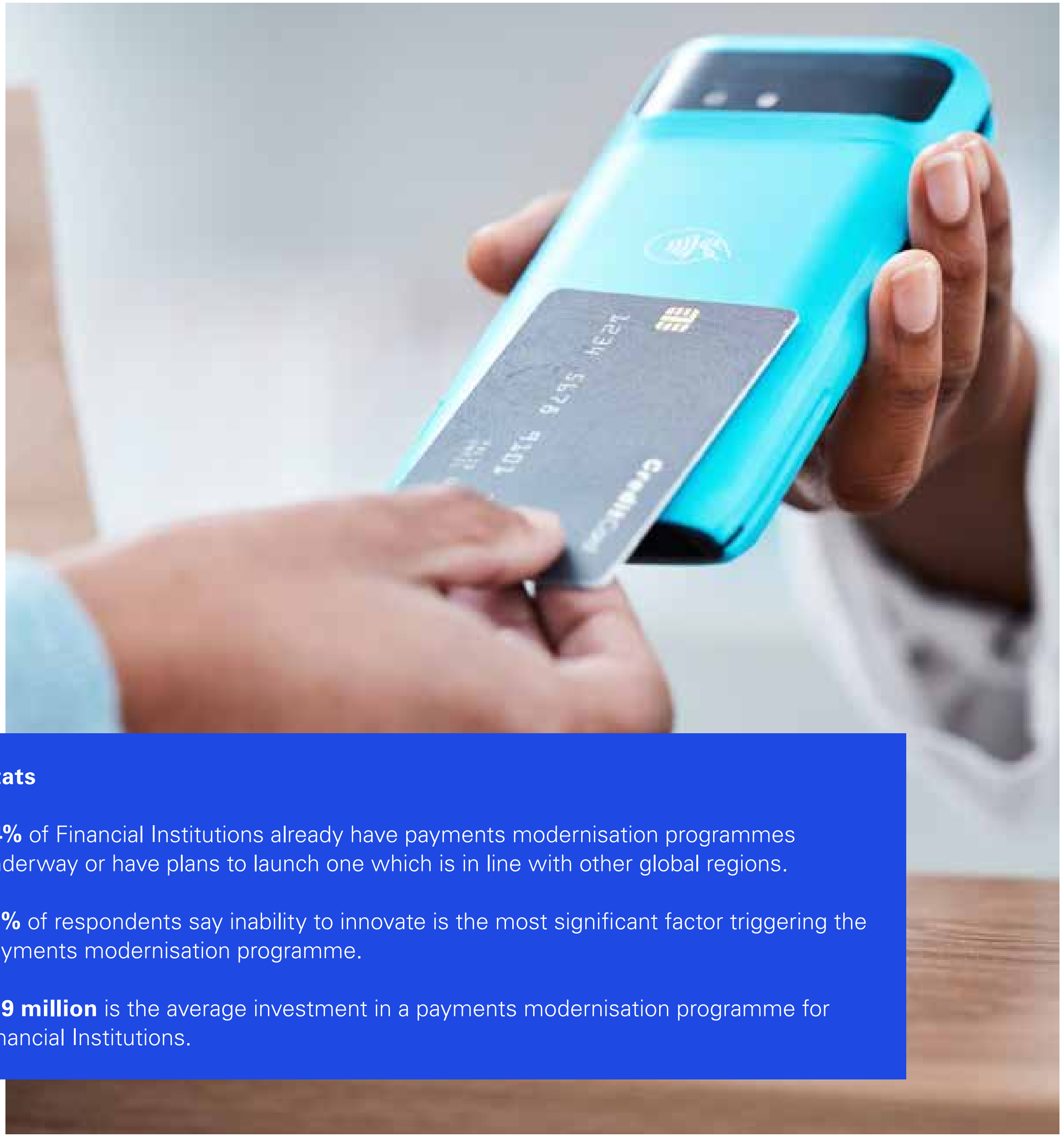



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# USA Financial Institutions

The US Financial Institutions payments landscape is undergoing a significant modernisation push, with 94% of institutions having programmes underway or planned. The regulatory burden of ISO 20022 is driving many banks to prioritise payments modernisation. Banks are looking beyond compliance and seeing ISO 20022 as an opportunity to leverage data for new products and services. Modernisation is not just about technology; it's also about transforming business processes and customer experiences.

The primary driver for this change is the need to innovate, with a focus on modernising payment engines and core banking systems. These programmes, with budgets averaging between $10 million and $25 million, are expected to begin within the next 3-6 months. Key success metrics include cost and fraud reduction, with 85% of institutions planning to outsource parts of their infrastructure, particularly technology, security, and payment processing. However, integration challenges and operational disruption remain key concerns. The future of payments is likely to be characterised by continued innovation, collaboration, and competition.



**Key stats**

- **94%** of Financial Institutions already have payments modernisation programmes underway or have plans to launch one which is in line with other global regions.
- **21%** of respondents say inability to innovate is the most significant factor triggering the payments modernisation programme.
- **$19 million** is the average investment in a payments modernisation programme for Financial Institutions.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – USA Analysis for Financial Institutions

The leading expected benefits of payments modernisation programmes:

- **Long-term cost saving**
- **Faster transaction processing**
- **Improved customer experience**

---

The most difficult challenges faced by US Financial Institutions embarking on payments modernisation are:

- **Integration of multiple systems**
- **Deploying new payment infrastructure without affecting BAU operations**
- **Cost of implementing new payment technologies / systems**

---

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Cost reduction**
- **Fraud reduction**
- **Transaction speed**

KPMG

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – USA Analysis for Financial Institutions

## Payments modernisation programmes are broad in scope, but 62% of respondents are focused on payment engines. 53% are also including customer experience.

**17 months**

is the average time since the last significant modernisation of payments capabilities. With 50% having completed a programme of such work within the last 12 months.

**54%**

of Financial Institutions surveyed state that regulatory requirements are a key driver for payments modernisation.

**34 is the average number of people allocated to work on modernisation programmes.**

**49%**

of Financial Institutions state that changing customer expectations are also a clear driver for creating the need for payments modernisation.

**85%**

have/are planning to outsource part of the modernisation programme, with Technology infrastructure being most commonly outsourced.

**52% of Financial Institutions state that emerging technologies that are not compatible is an element of the wider payments ecosystem that they fear could impact modernisation programme delivery roadmaps.**

KPMG

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

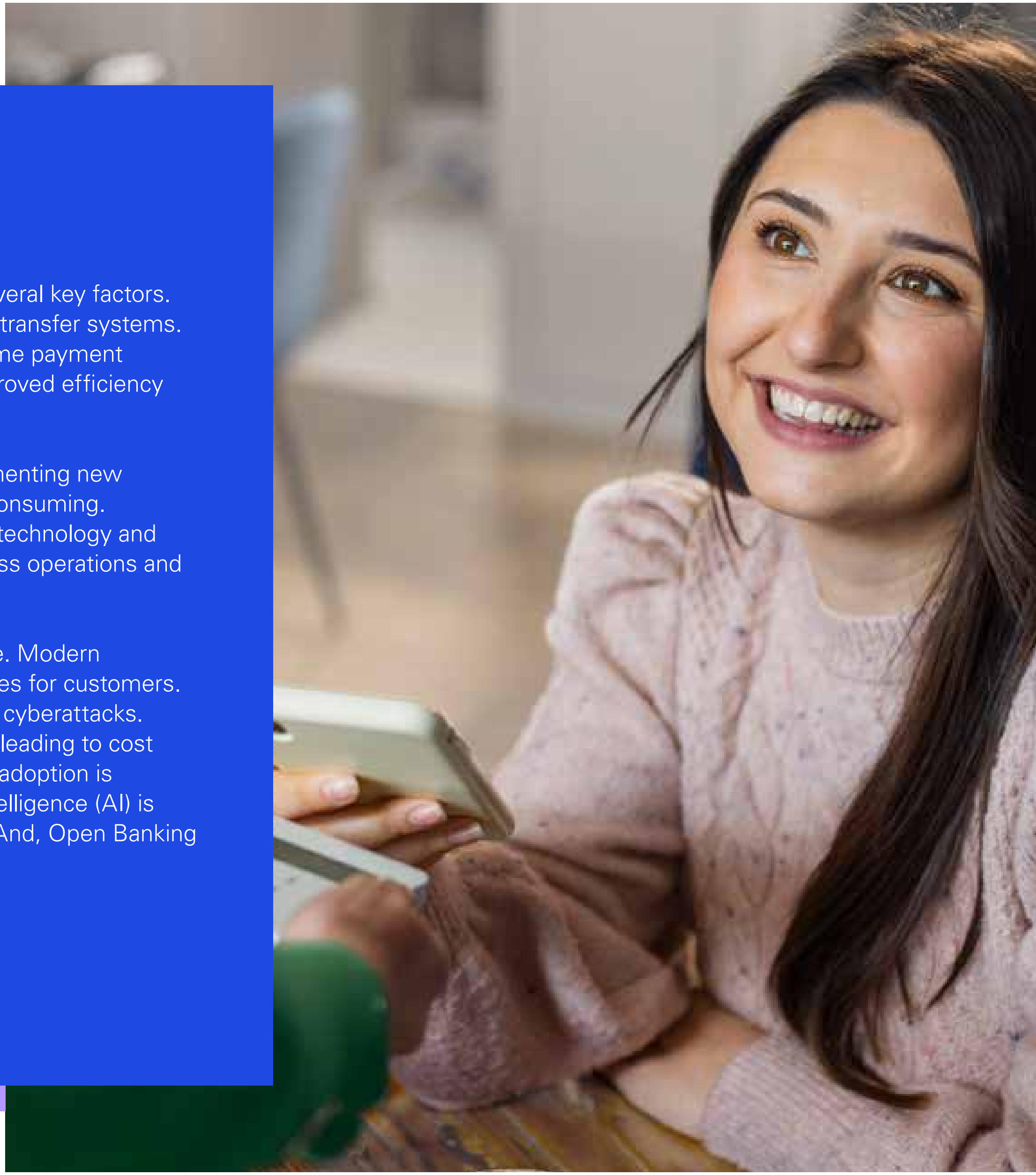
# KPMG Insight

"The payments landscape is undergoing a significant transformation driven by several key factors. ISO 20022, a new messaging standard, is pushing banks to modernise their wire transfer systems. The increasing demand for instant payments is also driving the adoption of real-time payment systems. Finally, modern platforms can offer significant cost savings through improved efficiency and reduced maintenance.

However, payments modernisation comes with its own set of challenges. Implementing new platforms and integrating them with existing systems can be complex and time-consuming. modernisation projects can also be expensive, requiring significant investment in technology and resources. Additionally, transitioning to new platforms can be disruptive to business operations and require significant change management efforts.

Despite these challenges, the benefits of payments modernisation are undeniable. Modern platforms can offer faster, more convenient, and more secure payment experiences for customers. They can also incorporate advanced security features to protect against fraud and cyberattacks. Additionally, modern platforms can streamline operations and improve efficiency, leading to cost savings. Several trends are shaping the future of payments modernisation. Cloud adoption is enabling banks to benefit from scalability, flexibility, and cost savings. Artificial intelligence (AI) is being used to improve fraud detection, risk management, and customer service. And, Open Banking initiatives are creating new opportunities for innovation and competition."

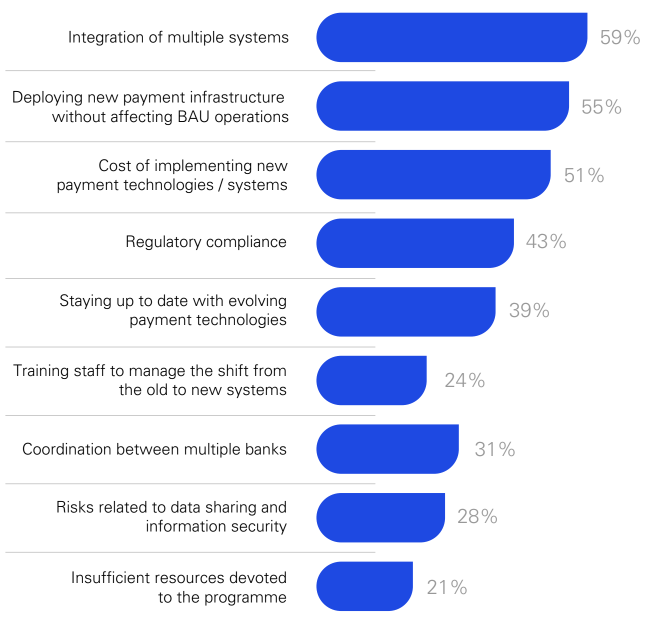
**Courtney Trimble, Global Head of Payments**
**KPMG in the US**



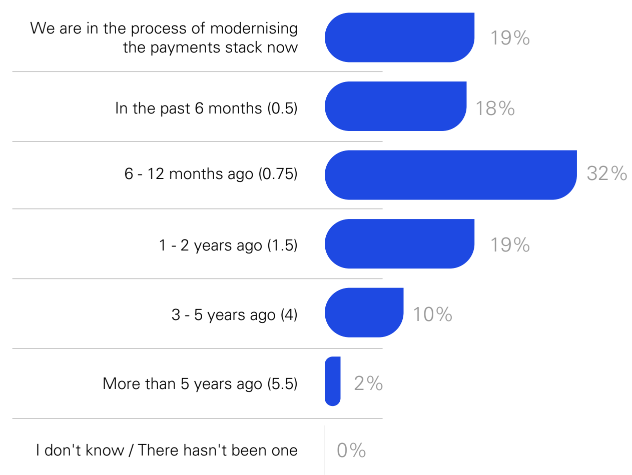
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – USA Analysis for Financial Institutions

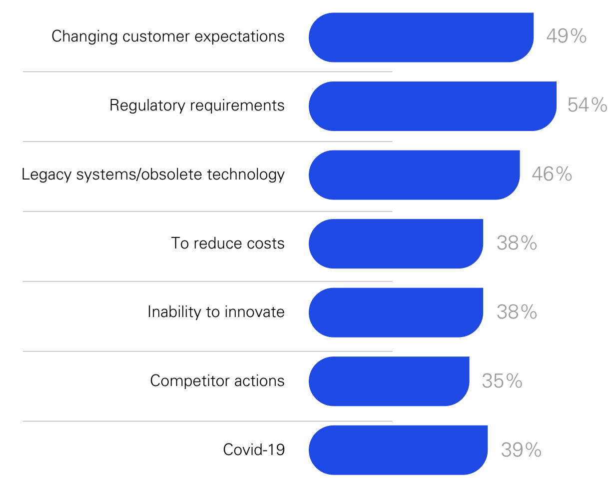
### Challenges faced in payments modernisation




### Significant modernisation status



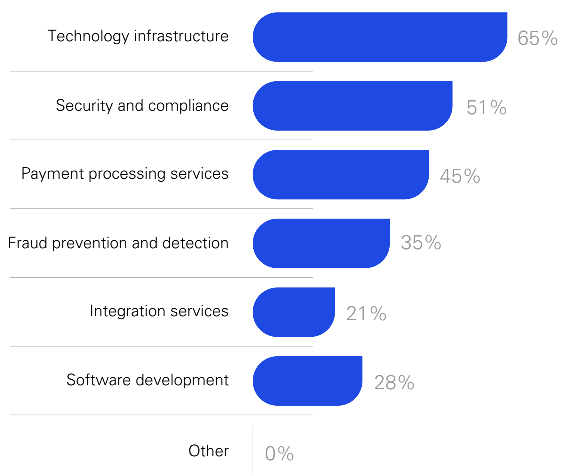

### Drivers for change



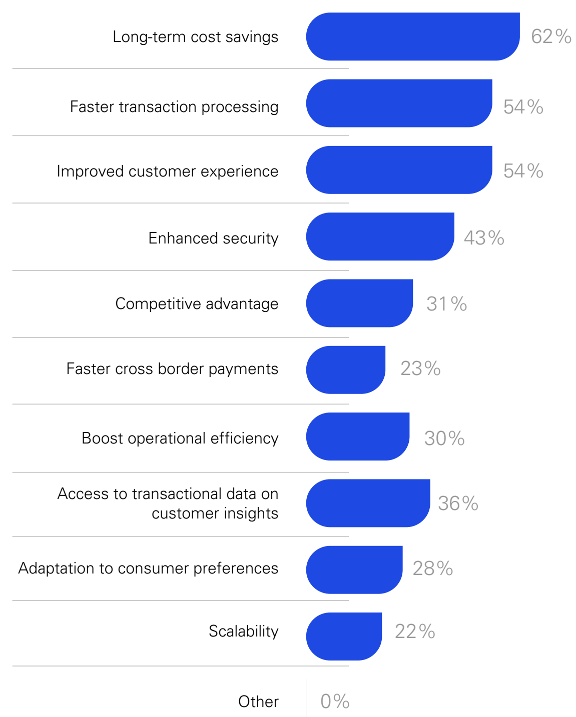

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – USA Analysis for Financial Institutions (cont.)

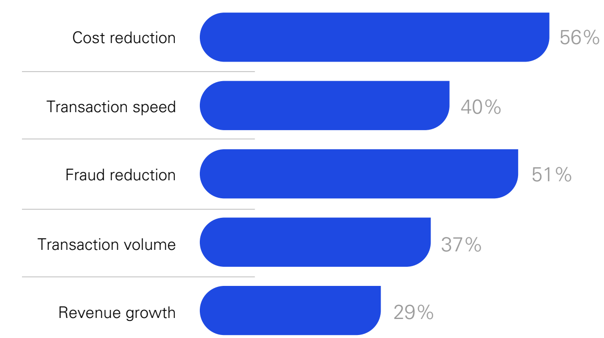
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits




### Most common KPIs




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# USA Retailers

**The USA retail sector is seeing a profound transformation, with 90% of Retailers already engaged in or planning payments modernisation programmes, driven by evolving reducing costs and competitor actions.**

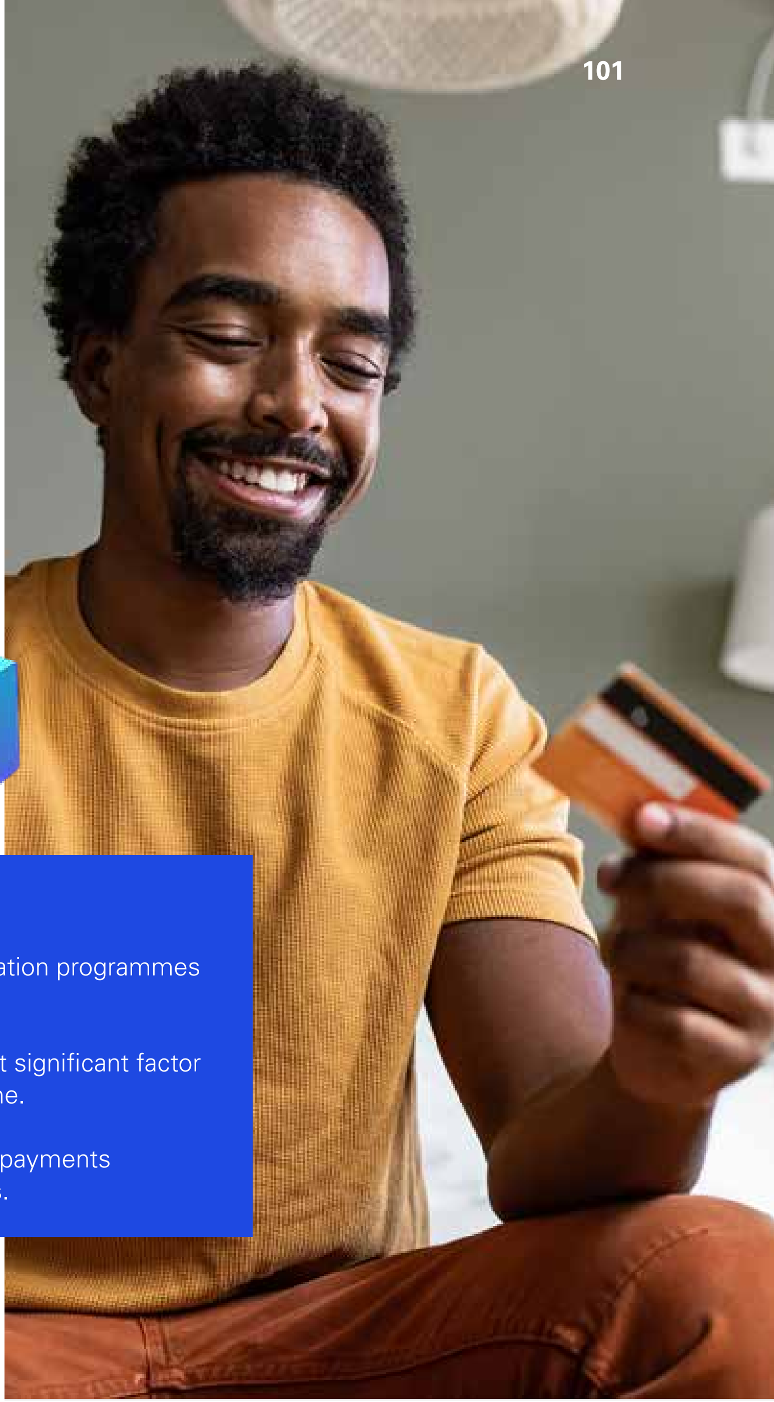
One key area of focus is payments modernisation, with Retailers investing heavily in upgrading their systems to meet the growing demand for convenience, speed, and security. The primary driver for this modernisation push is cost reduction (66%), with 61% of respondents prioritising the inclusion of new payment methods and 59% focusing on digital payment implementation or upgrades. Interestingly, 66% of programmes have a budget below $2 million, indicating a focus on cost-effective solutions. With 41% of programmes slated to begin within the next 3-6 months, the urgency for modernisation is evident. According to respondents, success will be measured primarily by transaction speed (60%) and cost reduction (56%).

Outsourcing plays a crucial role in these initiatives, with 92% of respondents either currently outsourcing or planning to do so. However, challenges remain. The top two concerns are the cost of implementing new technologies and training staff for the transition.

Overcoming these hurdles will be critical for US Retailers to successfully navigate the evolving payments landscape. Furthermore, payments modernisation presents opportunities for Retailers to personalise the customer experience and build stronger customer relationships.

**Key Stats**

- **90%** of Retailers already have payments modernisation programmes underway or have plans to launch one.
- **24%** of respondents say reducing costs is the most significant factor triggering their payments modernisation programme.
- **$2.1 million** million is the average investment in a payments modernisation programme for Financial Institutions.



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – USA Analysis for Retailers

The leading expected benefits of the payments modernisation programmes:

- **Improved customer experience**
- **Faster transaction processing**
- **Long-term cost savings**

---

The most difficult challenges faced by US Retailers embarking on payments modernisation are:

- **Cost of implementing new payment technologies / systems**
- **Training staff to manage the shift from the old to new systems**
- **Deploying new payment infrastructure without affecting other operations**

---

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Transaction speed**
- **Cost reduction**
- **Transaction volume**

Payments modernisation programmes are broad in scope, but 59% of respondents are focused on digital payments implementation / upgrades.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – USA Analysis for Retailers

**13 months**

since the last significant modernisation of payments capabilities.

**97%**

of Retailers currently offer or intend to offer digital apps to customers, with 71% already offering them.

**91%**

of Retailers currently offer or intend to offer digital wallets to customers, with 50% already offering them.

**22 is the average number of people allocated to work on modernisation programmes.**

**66%**

of Retailers state cost reduction is a key driver for payments modernisation.

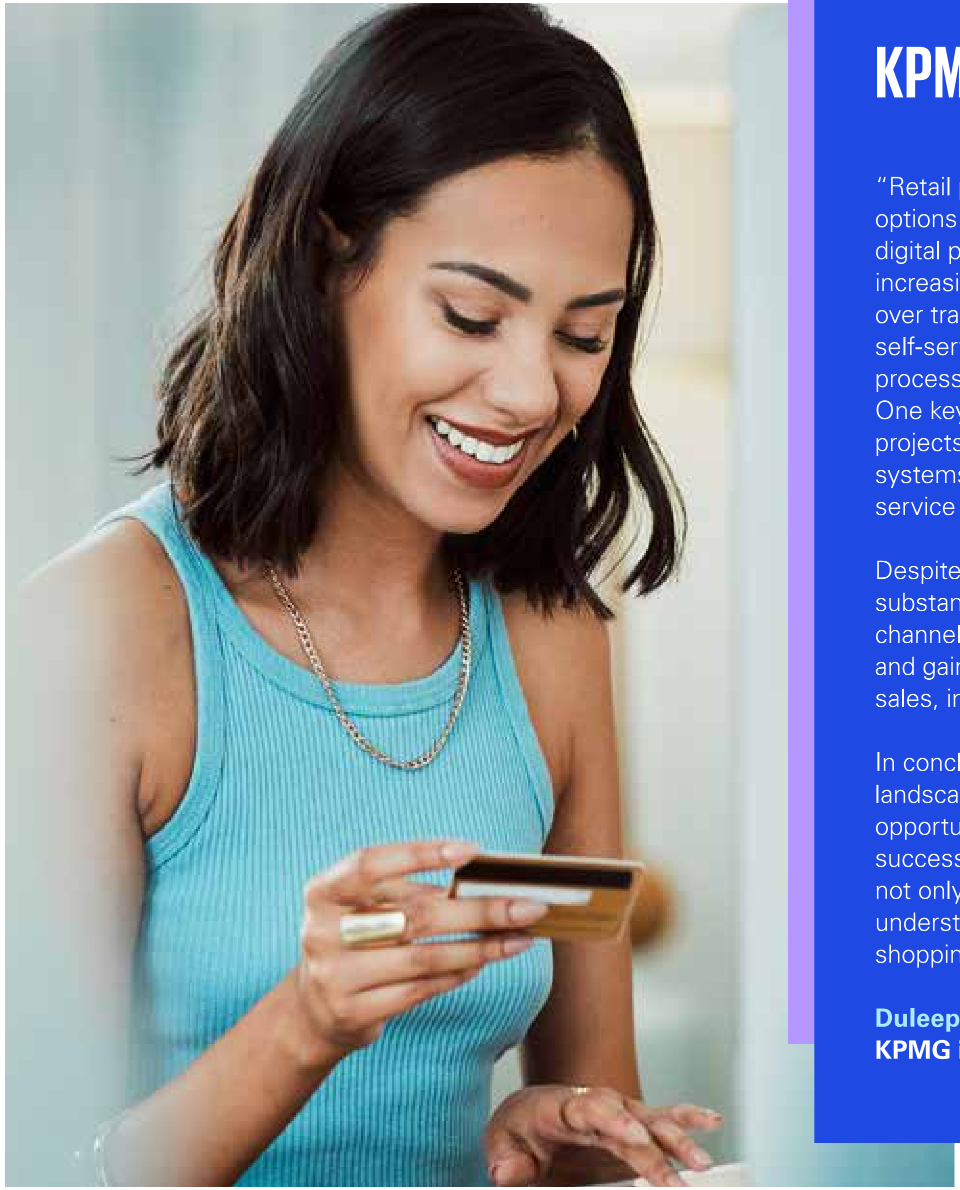
**50%**

of Retailers state competitor actions is also a clear driver for payments modernisation.

**81%**

have/are planning to outsource part of the modernisation programme, with payment processing services being most commonly outsourced.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



# KPMG Insight

"Retail payments are evolving in the US, driven by consumer demand for digital options and self-service checkout. A major driver of this change is the shift towards digital payment methods. Consumers, particularly younger generations, are increasingly opting for contactless payments, mobile wallets, and other digital solutions over traditional cash and credit cards. This trend is further accelerated by the rise of self-service checkout, which necessitates faster and more efficient payment processing. However, Retailers face several challenges in their modernisation efforts. One key issue is the significant investment required, with the average budget for such projects in the US being $2.1 million. Additionally, Retailers need to address legacy systems, ensure data security and privacy, and collaborate effectively with payment service providers.

Despite these challenges, the potential benefits of payments modernisation are substantial. By offering a seamless and secure payment experience across all channels, Retailers can enhance customer satisfaction, improve operational efficiency, and gain valuable insights into customer behaviour. This, in turn, can lead to increased sales, improved customer loyalty, and a stronger competitive advantage.

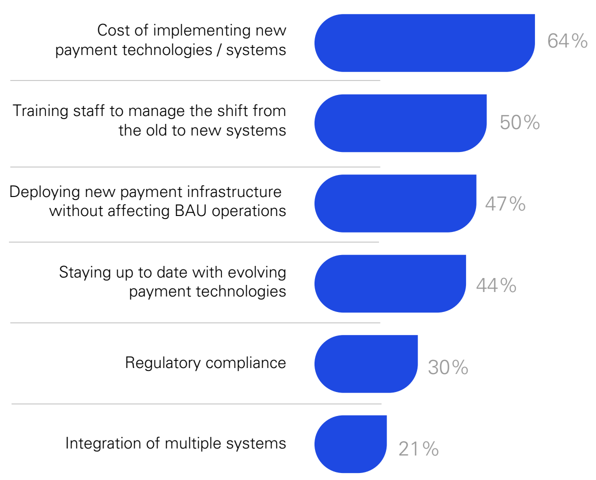
In conclusion, payments modernisation is a critical aspect of the evolving retail landscape in the US. By addressing the key challenges and leveraging the opportunities presented by new technologies, Retailers can position themselves for success in the increasingly competitive and dynamic market. This will enable them to not only meet the evolving needs of their customers but also gain a deeper understanding of their behaviour, leading to a more personalised and rewarding shopping experience."

**Duleep C Rodrigo, Sector Leader for Consumer & Retail**
**KPMG in the US**

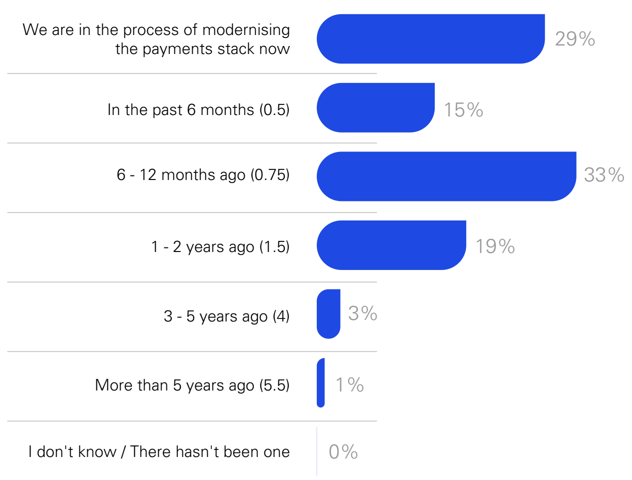
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – USA Analysis for Retailers

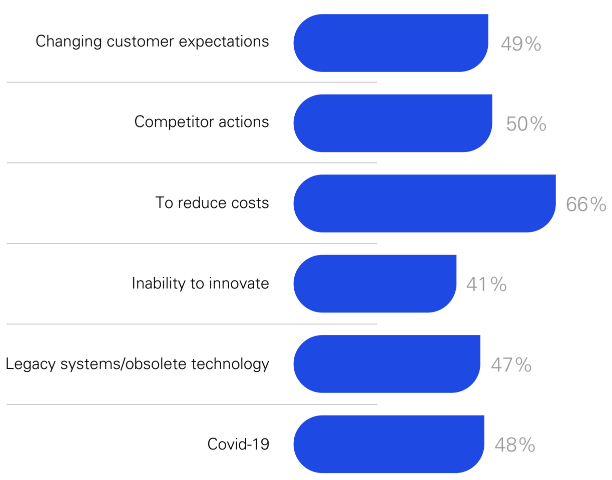
### Challenges faced in payments modernisation




### Significant modernisation status



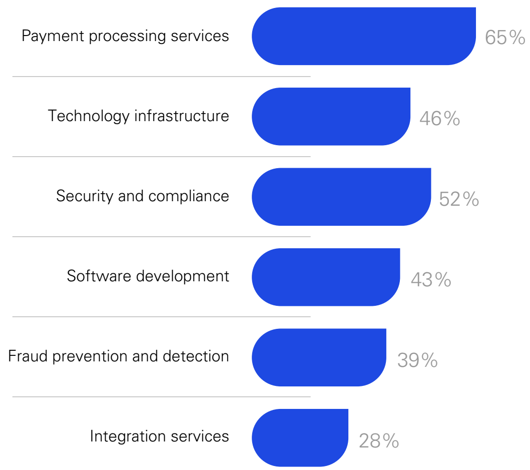

### Drivers for change



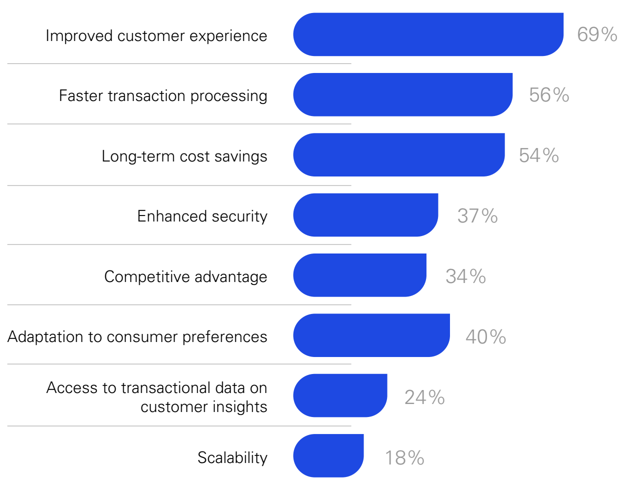

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – USA Analysis for Retailers (cont.)

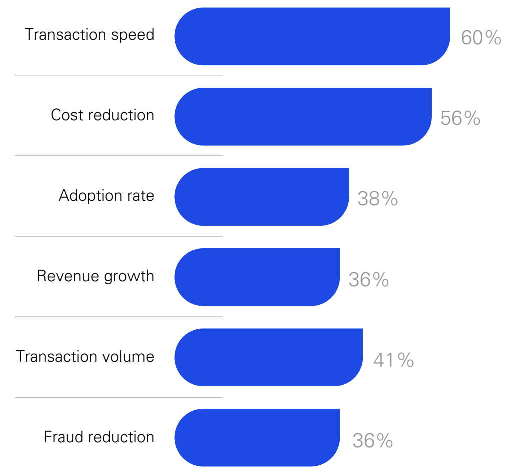
### Infrastructure which is most commonly outsourced



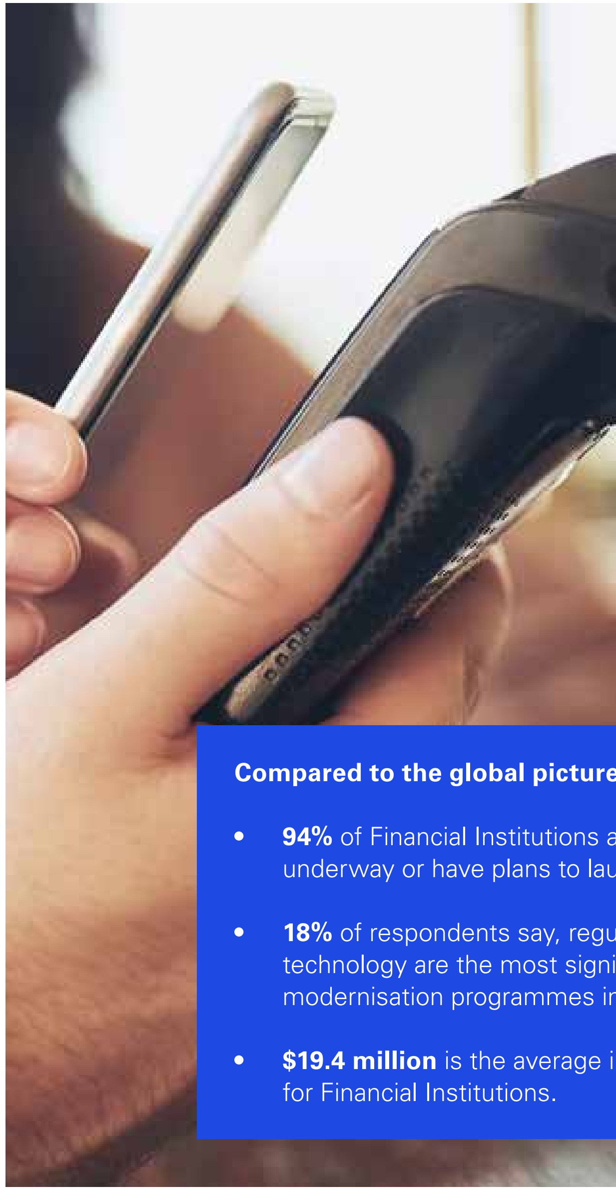

### Biggest perceived benefits




### Most common KPIs




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

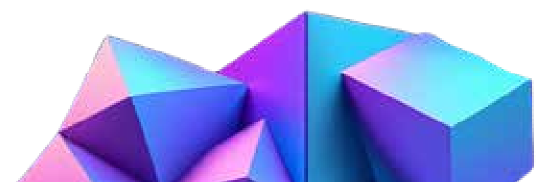


# Canada Financial Institutions

**The Canadian financial landscape is evolving rapidly, with 94% of institutions actively engaged in payments modernisation programmes. This aligns with global trends, reflecting the need to adapt to evolving customer expectations and regulatory requirements. Financial Institutions are facing a multitude of challenges in their efforts to modernise their payments infrastructure.**

These challenges stem from a combination of external pressures such as ISO 20022 and internal limitations such as complex technical infrastructure or lack of knowledge. Legacy systems and outdated technology are key drivers for this modernisation push, with 67% of respondents prioritising customer experience and 62% focusing on payment engine upgrades. The programmes are expected to cost between $10 million and $25 million, with a significant portion of respondents (88%) planning to outsource infrastructure components. While larger institutions are actively pursuing modernisation, smaller players are taking a wait-and-see approach.

The top challenges identified are deploying new infrastructure without disrupting daily operations and integrating multiple systems. However, institutions are optimistic, aiming to launch programmes within the next 3-6 months and measuring success through transaction speed and cost reduction. The modernisation process is complex and challenging, but it presents significant opportunities for the future of payments in Canada.



**Compared to the global picture, a number of key differences in Canada stand out:**

- **94%** of Financial Institutions already have payments modernisation programmes underway or have plans to launch one which is in line with other global regions.
- **18%** of respondents say, regulatory requirements and legacy systems/obsolete technology are the most significant factors which are triggering payments modernisation programmes in the Canadian region.
- **$19.4 million** is the average investment in a payments modernisation programme for Financial Institutions.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Canada Analysis for Financial Institutions

The leading expected benefits of the payments modernisation programmes:

- **Faster transaction processing**
- **Improved customer experience**
- **Enhanced security**

---

The most difficult challenges faced by Canadian Financial Institutions embarking on payments modernisation are:

- **Deploying new payment infrastructure without affecting BAU operations**
- **Integration of multiple systems**
- **Cost of implementing new payment technologies / systems**

---

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Transaction speed**
- **Cost reduction**
- **Transaction volume**

Payments modernisation programmes are broad in scope, but 67% of respondents are focused on customer experience. 53% are also including payment engines.

KPMG

# Key Findings – Canada Analysis for Financial Institutions

**15 months**

is the average time since the last significant modernisation of payments capabilities. With 50% having completed a programme of such work within the last 12 months.

**55%**

of Financial Institutions state that changing customer expectations a key driver for for payments modernisation.

**35 is the average number of people allocated to work on modernisation programmes.**

**Emerging technologies that are not compatible is an element of the wider payments ecosystem that respondents fear could impact modernisation programme delivery roadmaps.**

**53%**

of Financial Institutions state that Legacy systems/obsolete technology are also a clear driver for creating the need for payments modernisation.

**88%**

have/are planning to outsource any part of the modernisation programme, with technology infrastructure being most commonly outsourced.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# KPMG Insight

"Canada's payment industry is experiencing a major shift driven by a confluence of factors. Regulatory deadlines for Swift MX and ISO 20022 are pushing organisations to modernise their systems, while the Real-Time Rail (RTR) programme aims to improve customer experience and efficiency. Compliance requirements and the desire for efficiency gains are also driving modernisation efforts, particularly among fintech players and larger organisations. Also, The Retail Payments Association Act (RPAA) introduces new regulations impacting Fintech and Payment Service Providers (PSPs), focusing on operational governance and segregation of funds. This translates to increased compliance requirements for players in the space.

However, the path to modernisation is not without its challenges. Technical complexity, organisational structures, and a fragmented vendor landscape pose significant hurdles. Tier 2 and 3 Financial Institutions are adopting a wait-and-see approach, while larger institutions are actively pursuing modernisation. Open Banking presents an opportunity for fintech players, while customer expectations for instant payments and improved fraud prevention are driving innovation. Open Banking also carries the potential to disrupt traditional banking models. This necessitates collaboration and standardisation among industry players.

Overall, the payments modernisation landscape in Canada is complex and challenging, but it also presents significant opportunities for innovation and efficiency gains. As the industry navigates these challenges, collaboration and a focus on customer needs will be crucial for success. Financial Institutions need to take a proactive approach to payments modernisation to remain competitive and meet regulatory requirements."

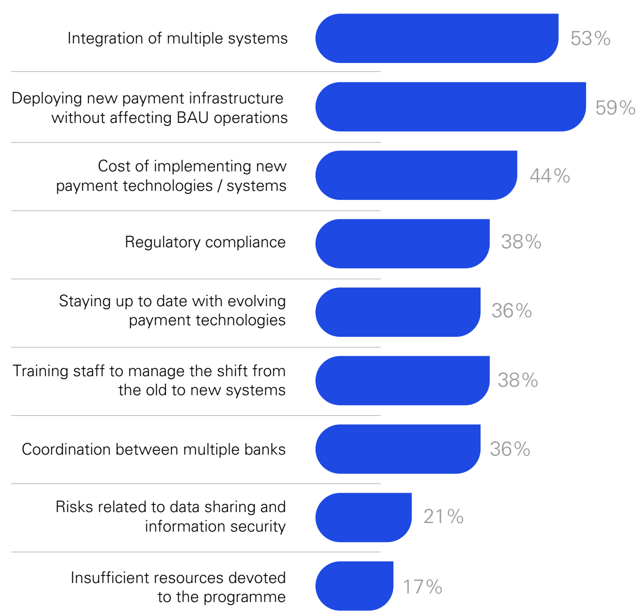
**Edwin D Isted, Senior Manager**
**KPMG in Canada**

**Arul Rajkumar, Partner**
**KPMG in Canada**

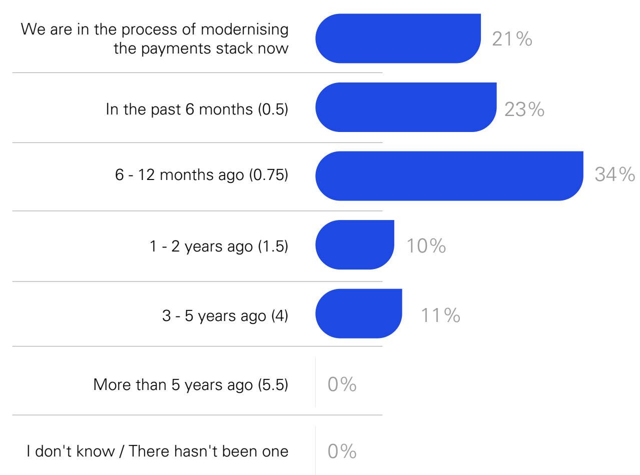
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Canada Analysis for Financial Institutions

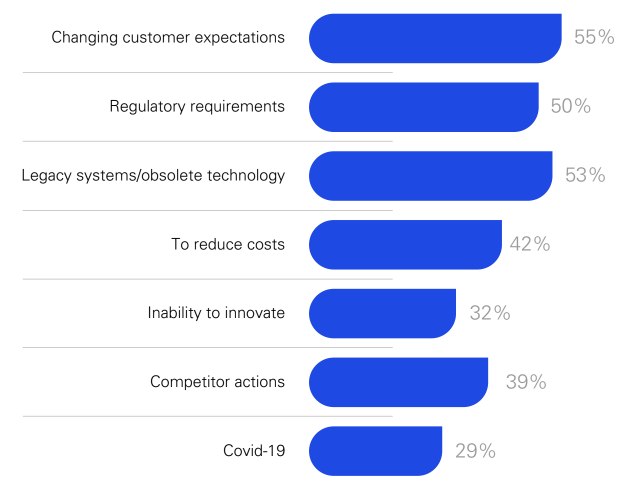
### Challenges faced in payments modernisation




### Significant modernisation status



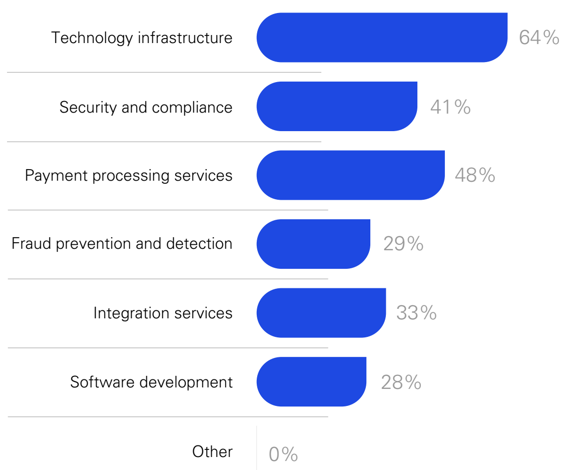

### Drivers for change



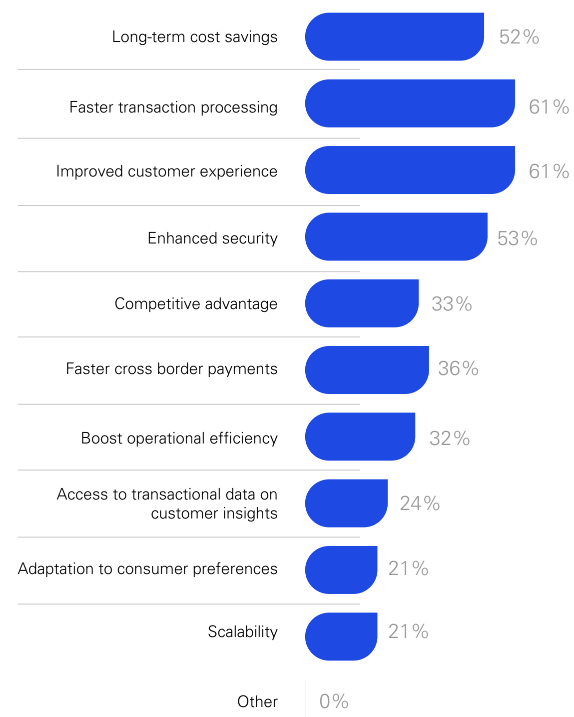

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Canada Analysis for Financial Institutions (cont.)

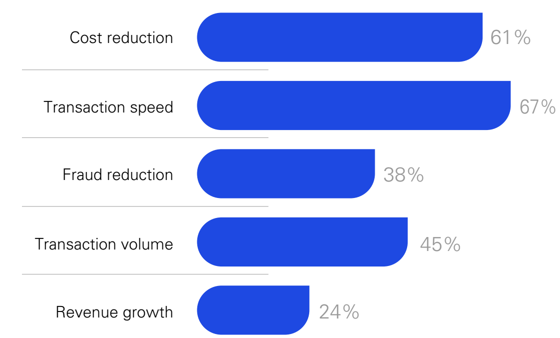
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits




### Most common KPIs



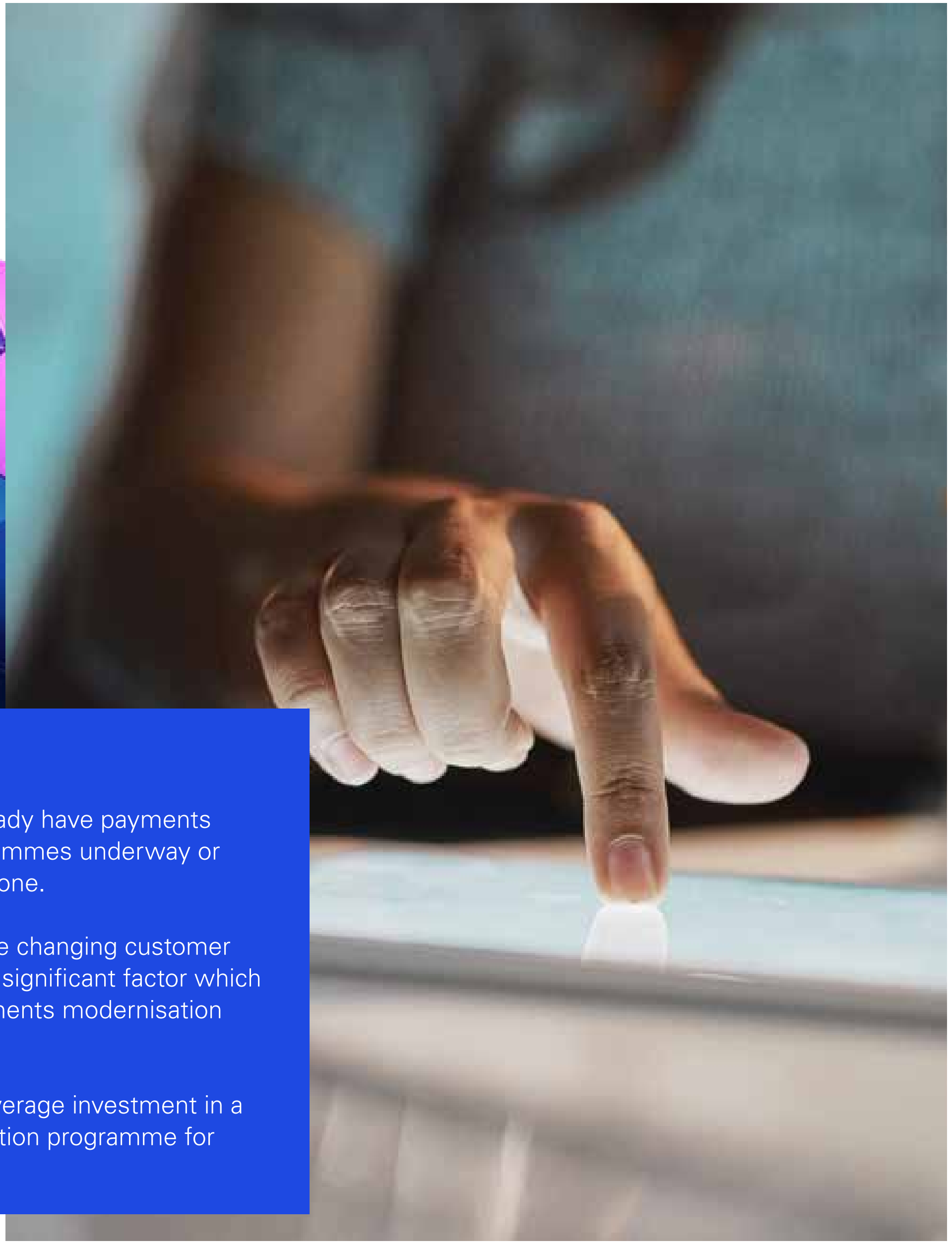

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Canada Retailers

**The Canadian retail payments landscape is shifting in a significant way, with loyalty programmes and financial services playing an increasingly important role. While debit cards and cash remain popular, younger generations are driving the adoption of account-to-account payments. Modernisation efforts are underway, with 87% of Retailers planning to initiate a programme in the future.**

The primary driver for this modernisation is changing customer expectations (73%) with Retailers ranking implementation or upgrading digital payments (69%) first and introducing new payment methods (67%) second. The majority of programmes have a budget below $2 million and are expected to start within the next 6-12 months. Success will be measured by transaction speed (53%) and volume (45%). Interestingly, 45% of Retailers plan to outsource parts of their infrastructure, primarily payment processing services and technology infrastructure. This suggests a growing reliance on third-party expertise to navigate the complexities of payments modernisation.

Overall, the Canadian retail payments landscape is poised for significant change. The adoption of loyalty programmes, financial services, and account-to-account payments, coupled with modernisation efforts, indicates a shift towards a more digital and customer-centric future.



**Key Stats**

- **92%** of Retailers already have payments modernisation programmes underway or have plans to launch one.
- **73%** of Retailers state changing customer expectations is most significant factor which is triggering the payments modernisation programme.
- **$1.3 million** is the average investment in a payments modernisation programme for Financial Institutions.



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Canada Analysis for Retailers

The leading expected benefits of the payments modernisation programmes:

- **Improved customer experience**
- **Faster transaction processing**
- **Competitive advantage**

---

The most difficult challenges faced by Canadian Retailers embarking on payments modernisation are:

- **Cost of implementing new payment technologies / systems**
- **Staying up to date with evolving payment technologies**
- **Training staff to manage the shift from the old to new systems**

---

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Transaction speed**
- **Transaction volume**
- **Cost reduction**

Payments modernisation programmes are broad in scope, but 69% of respondents are focused on digital payments implementation / upgrades.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Canada Analysis for Retailers

**13 months**

since the last significant modernisation of payments capabilities of payments capabilities.

**58%**

of Retailers surveyed state that competitor actions a key driver for payments modernisation.

**73%**

of Retailers state that changing customer expectations are also a clear driver for creating the need for payments modernisation.

**22 is the average number of people allocated to work on modernisation programmes.**

**94%**

of Retailers currently offer or intend to offer digital apps to customers, with 65% already offering them.

**95%**

of Retailers currently offer or intend to offer loyalty cards to customers, with 31% already offering them.

**89%**

have/are planning to outsource any part of the modernisation programme, with payment processing services being most commonly outsourced.

KPMG

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# KPMG Insight

"The Canadian retail payments landscape is currently experiencing significant changes, particularly with an increased focus on loyalty programmes and the expansion of financial services. Many large Retailers are now either issuing their own cards or collaborating with existing card providers to establish closed-loop systems. These systems are designed to capture a substantial portion of customer spending, driven by the high value that Canadian consumers place on loyalty points. In this evolving landscape, debit cards continue to be widely used, especially in situations where loyalty incentives are not a primary concern. Interestingly, there has been a slight increase in cash usage, attributed to the influx of immigrants into Canada. Younger generations are showing a distinct preference for debit cards and account-to-account payments, as opposed to credit cards, which are mainly utilised for the benefits associated with loyalty programmes.

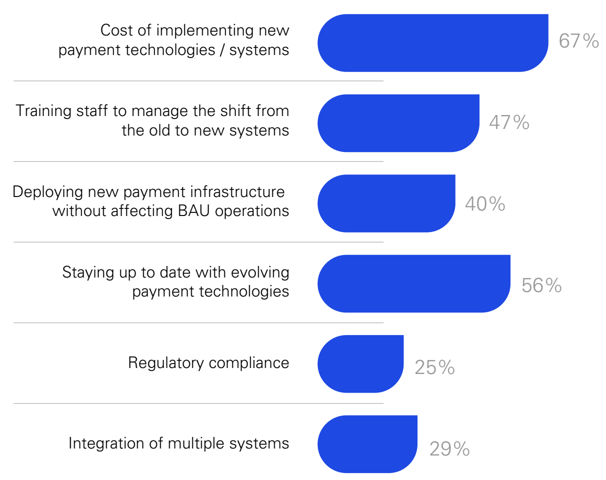
While card-centric payment technologies are well-established, many Retailers do not prioritise modernisation efforts. However, account-to-account payments are emerging as a significant opportunity that could potentially disrupt traditional card-centric players. Despite this potential, there are challenges that need to be addressed, including issues related to modernisation related costs as well as the newly promulgated RPAA (Retail Payments Activity Act), a legislative equivalence legislation for PSP & MSP players. In Quebec, additional data centric regulation poses additional challenges, often making it difficult for fintech companies to penetrate the market with existing offerings. Some Retailers are beginning to leverage their data to gain insights into customer behaviour and spending patterns, but overall, the effective leverage of data usage remains low. In summary, the Canadian retail payments landscape is evolving with a strong emphasis on loyalty programmes, financial services expansion, and account-to-account payments. However, challenges such as modernisation costs, data usage maturity, and regulations must be overcome to facilitate further progress in this sector."

**Edwin D Isted, Senior Manager**
**KPMG in Canada**

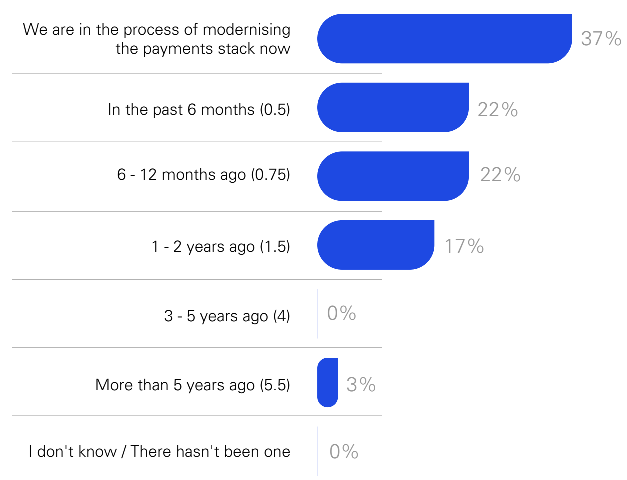
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Canada Analysis for Retailers

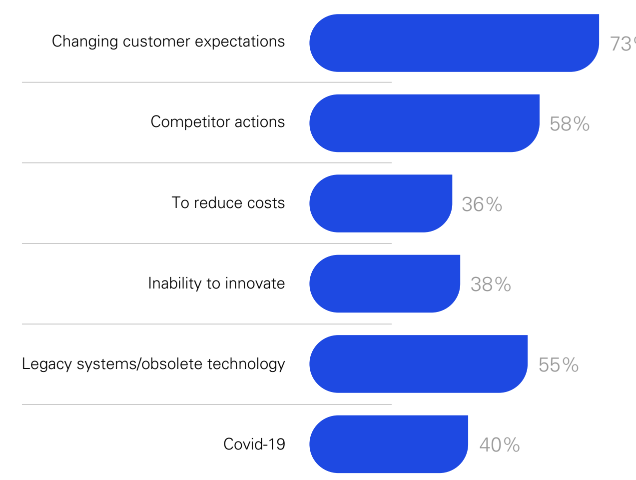
### Challenges faced in payments modernisation

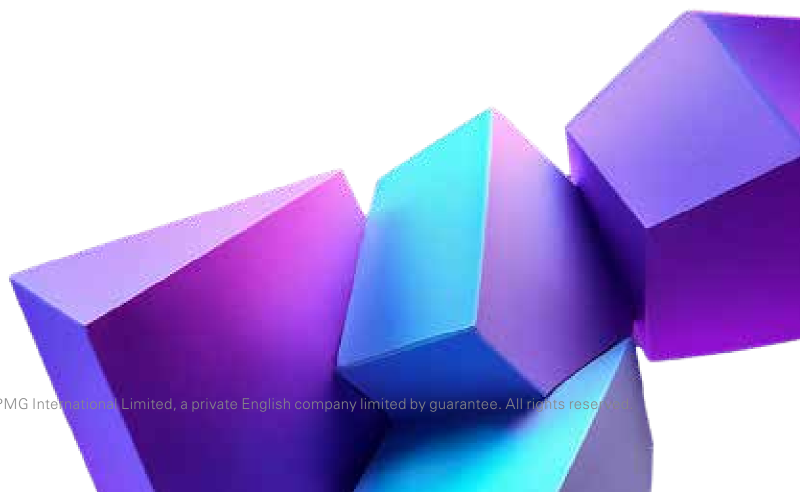



### Significant modernisation status




### Drivers for change

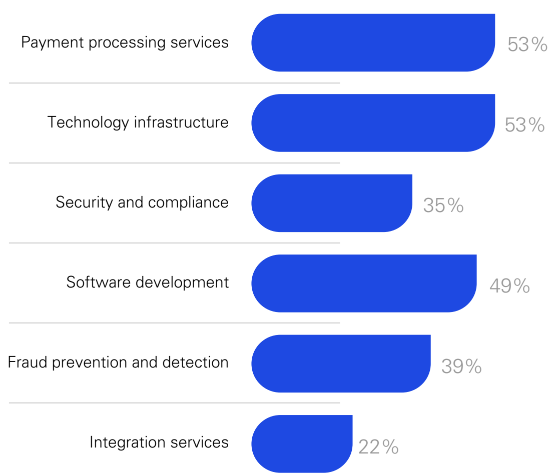


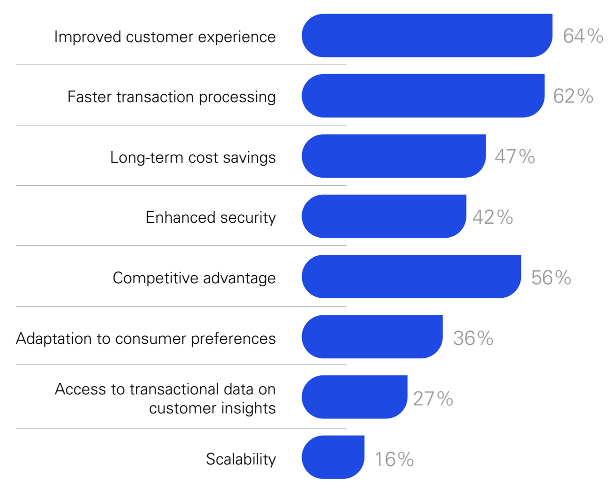
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Canada Analysis for Retailers (cont.)

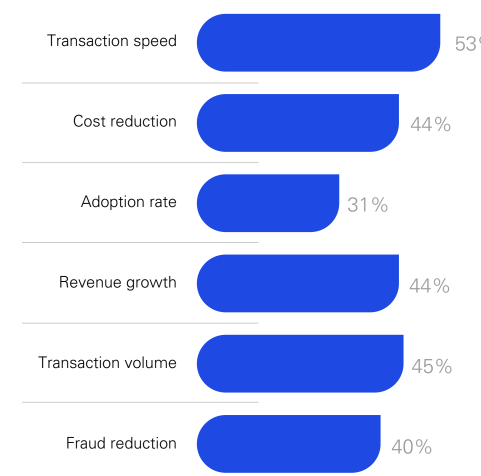
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits




### Most common KPIs



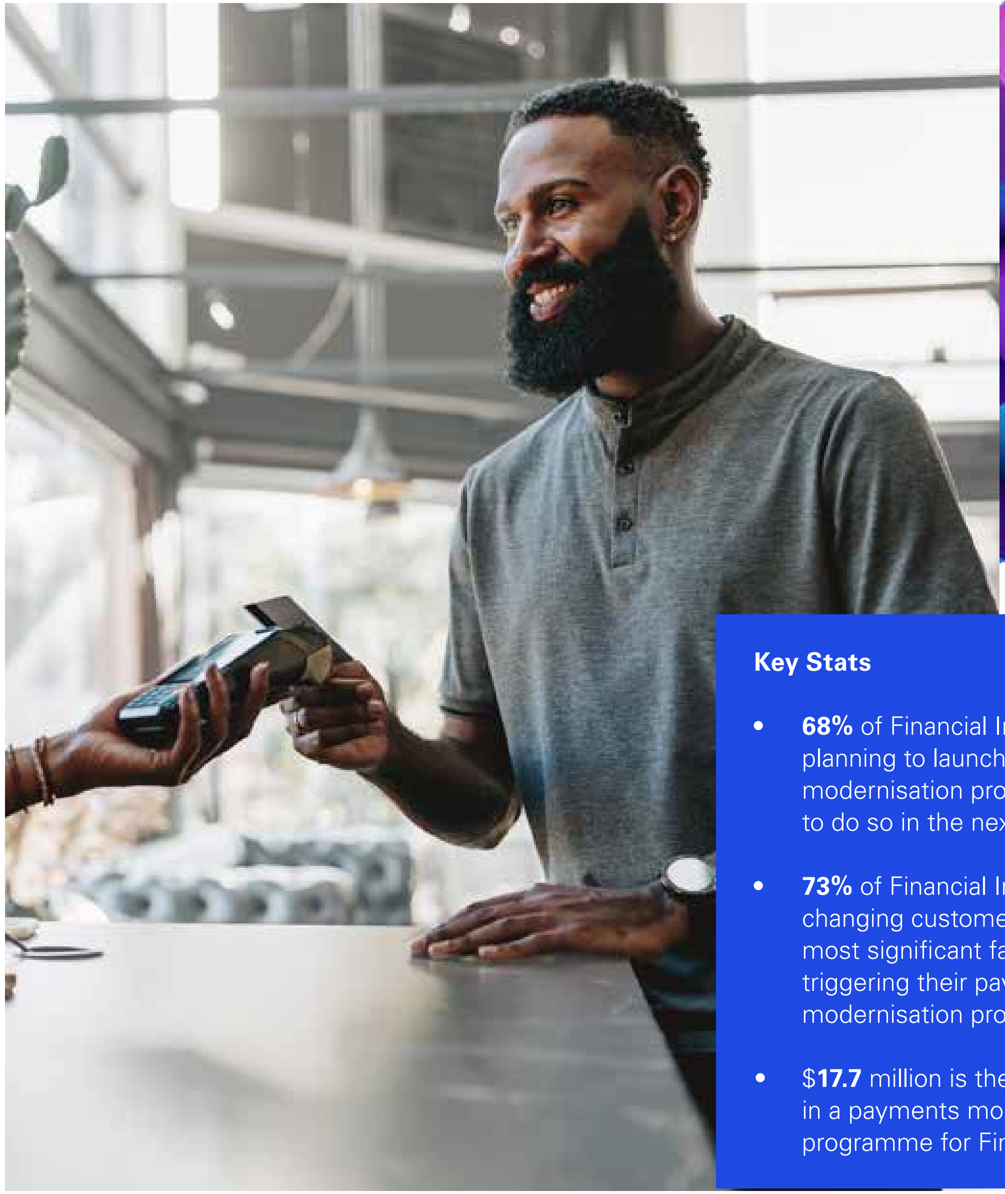

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Australia Financial Institutions

**The Australian Financial Institutions payments landscape is changing rapidly, with 94% of institutions actively engaged in or plan to initiate a payments modernisation programme, driven by regulatory pressures, technological advancements, and evolving customer expectations. Banks are investing in risk and compliance, digitalisation, and payment processing optimisation. The primary driver for this shift is cost reduction, with 70% of institutions citing it as a key performance indicator (KPI) for success. Additionally, transaction speed (55%) and improved customer experience are also high priorities.**

The scope of these programmes encompasses various aspects, with payment engine upgrades (67%) and digital channel implementation/upgrades (53%) taking centre stage. The majority of institutions (56%) have allocated budgets between $10 million and $25 million for these initiatives, with a significant portion (45%) aiming to commence within the next 3-6 months.

However, challenges remain. Implementing new payment infrastructure without disrupting daily operations and managing the cost of new technologies are key concerns. Despite these hurdles, the Australian financial sector is poised for a significant leap forward in its payments landscape, paving the way for a more efficient, secure, and customer-centric future.



### Key Stats

- **68%** of Financial Institutions who are planning to launch a payments modernisation programme are planning to do so in the next 6 months.
- **73%** of Financial Institutions state that changing customer expectations is the most significant factor which is triggering their payments modernisation programme.
- $**17.7** million is the average investment in a payments modernisation programme for Financial Institutions.

KPMG

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Australia Analysis for Financial Institutions

The leading expected benefits of the payments modernisation programmes:

- **Long-term cost saving**
- **Faster transaction processing**
- **Improved customer experience**

---

The most difficult challenges faced by Australian Financial Institutions embarking on payments modernisation are:

- **Deploying new payment infrastructure without affecting BAU operations**
- **Cost of implementing new payment technologies / systems**
- **Integration of multiple systems**

---

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Cost reduction**
- **Fraud reduction**
- **Transaction speed**

Payments modernisation programmes are broad in scope, but 67% of respondents are focused on payments engines. 55% are also including digital channel implementation / upgrades.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Australia Analysis for Financial Institutions

**14 months**

is the average time since the last significant modernisation of payments capabilities. With 44% having completed a programme of such work within the last 12 months.

**50%**

of Financial Institutions surveyed state reducing costs is a key driver for payments modernisation.

**47%**

of Financial Institutions state that legacy systems / obsolete technology are also a clear driver for creating the need for payments modernisation.

**61% of Financial Institutions state that emerging technologies that are not compatible is an element of the wider payments ecosystem that they fear could impact modernisation programme delivery roadmaps.**

**85%**

have/are planning to outsource any part of the modernisation programme, with Security and compliance being most commonly outsourced.

**34 is the average number of people allocated to work on modernisation programmes.**

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

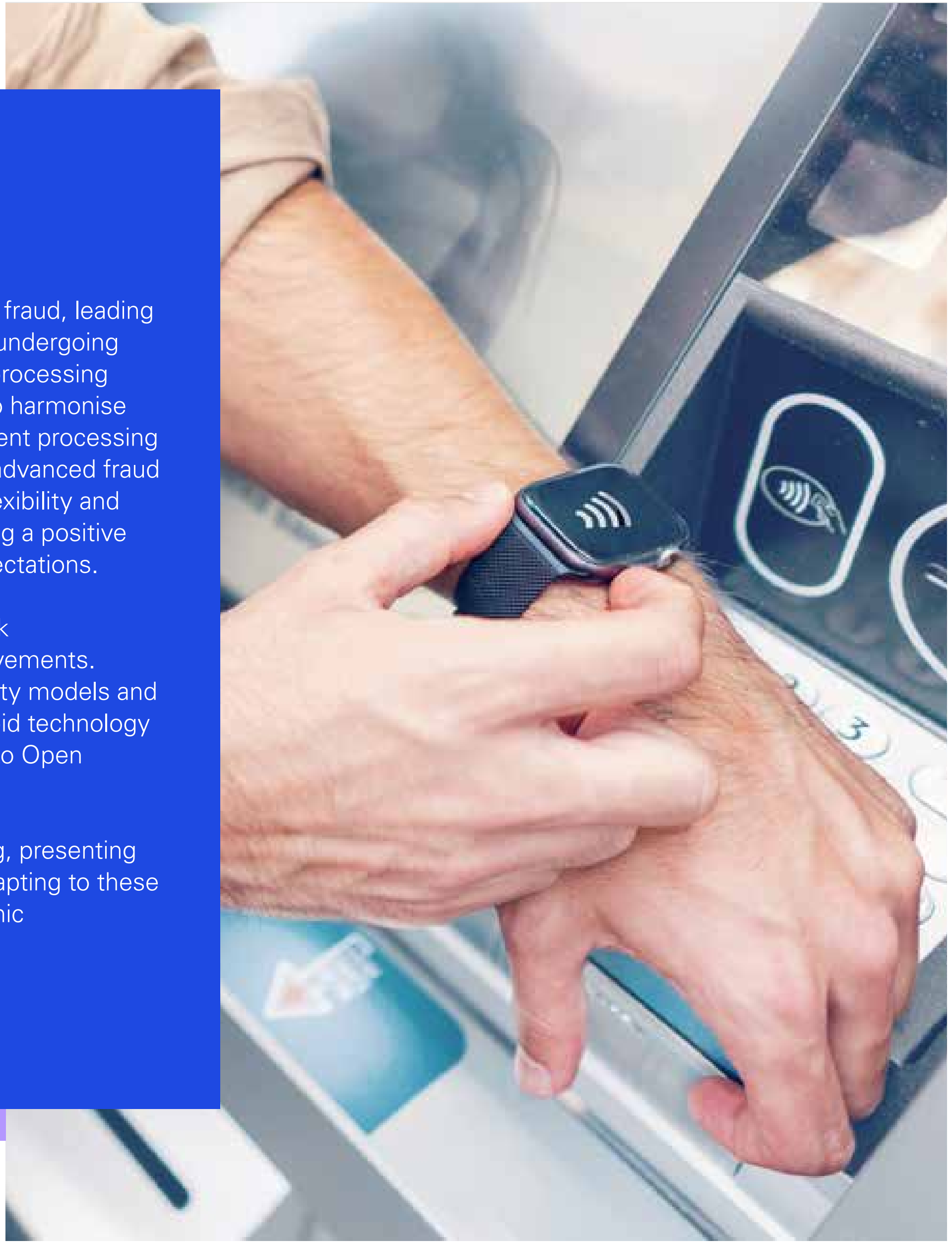
# KPMG Insight

"Banks are facing increased regulatory pressure to prevent consumer scams and fraud, leading to significant investment in risk and compliance measures. Additionally, they are undergoing long-term digitalisation programmes, including data rationalisation and payment processing optimisation. To ensure consistency across various initiatives, banks are aiming to harmonise goals related to risk management, digitalisation, and customer experience. Payment processing optimisation efforts include rationalising bespoke payment flows, implementing advanced fraud prevention technologies, and utilising micro-services architecture for improved flexibility and scalability. However, banks face a tension between cost reduction and maintaining a positive customer experience, particularly when adapting legacy systems to modern expectations.

The regulatory landscape is also evolving, with increased focus on operational risk management, Open Banking, faster payments, and public sector payment improvements. Challenger banks are emerging and consolidating, putting pressure on legacy utility models and highlighting the need for harmonisation between payment switches. Globally, rapid technology advancements offer potential for transformation in Australia, while the approach to Open Banking is being rethought.

In conclusion, the Australian Financial Institutions payments landscape is evolving, presenting both opportunities and challenges for banks and other players in the industry. Adapting to these changes and leveraging the opportunities will be crucial for success in this dynamic environment."

**Chris de Wit, Partner**
**KPMG in Australia**

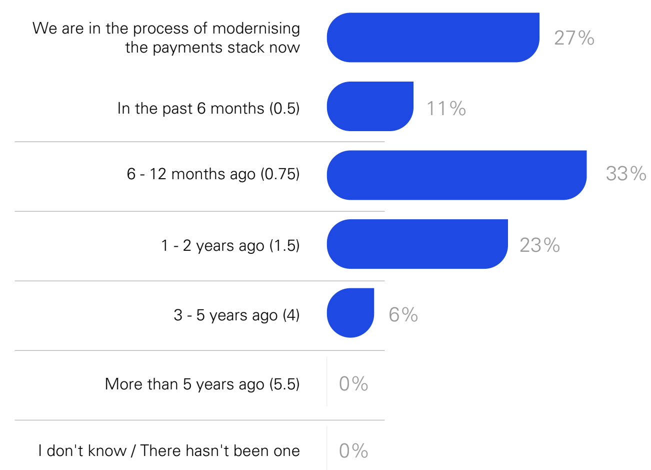


© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

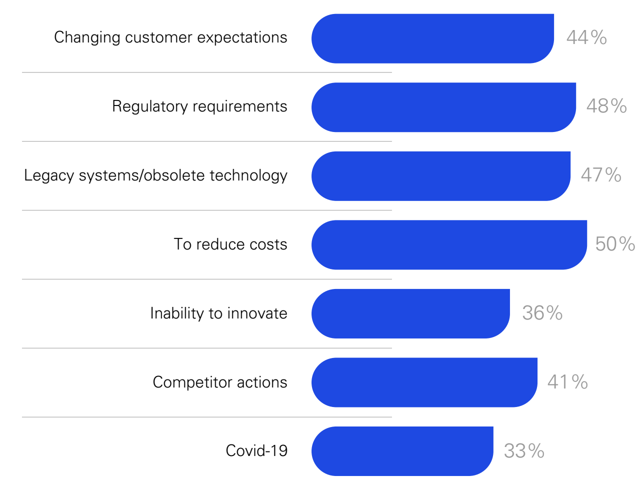
# Key Findings – Australia Analysis for Financial Institutions

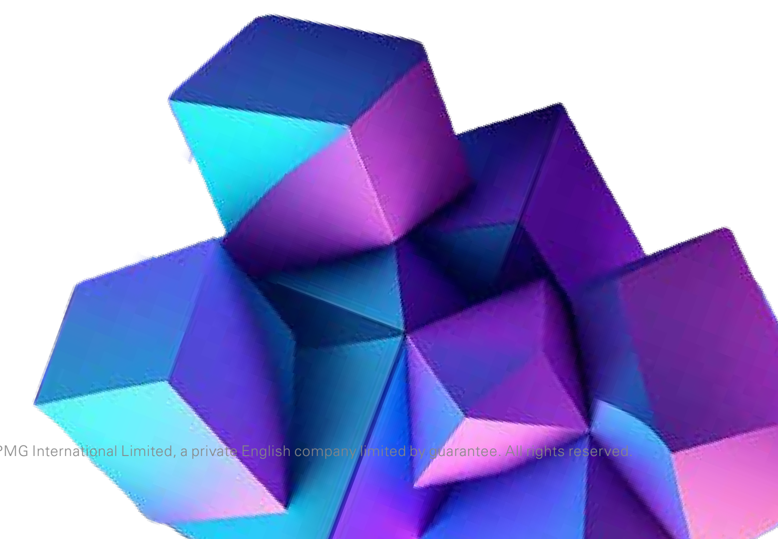
### Challenges faced in payments modernisation


### Significant modernisation status




### Drivers for change

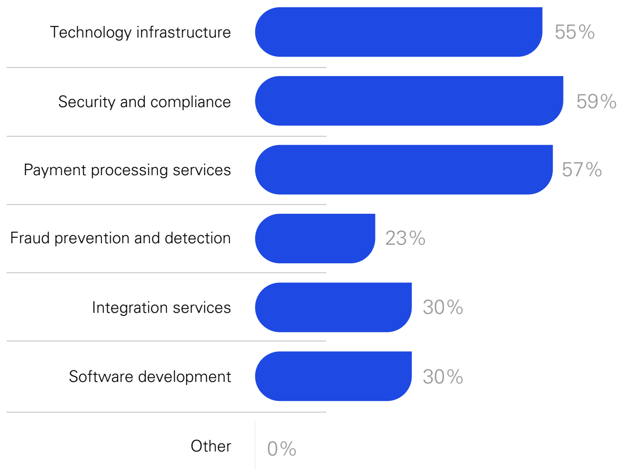


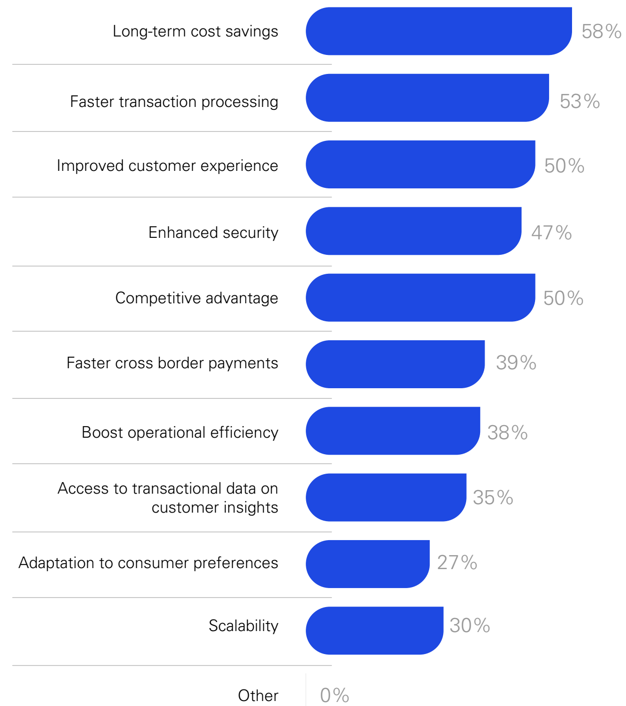
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Australia Analysis for Financial Institutions (cont.)

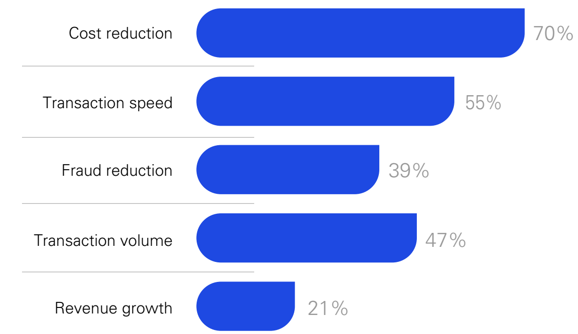
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits




### Most common KPIs



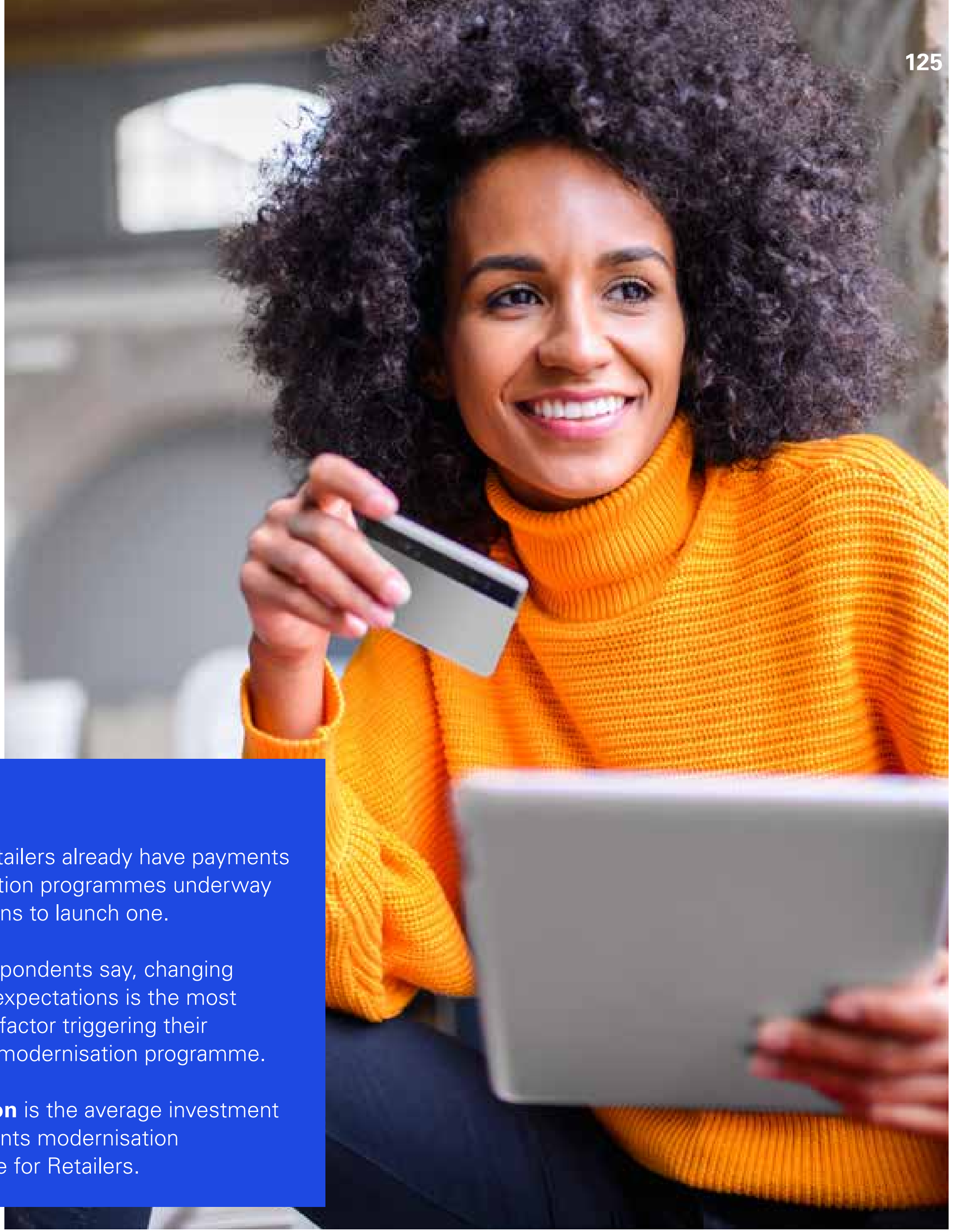

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Australia Retailers

**Australian Retailers are actively grappling with outdated payment systems, competing priorities, and evolving customer demands. Recognising the potential for enhanced customer experience, cost reduction, and risk mitigation, 65% of Retailers plan to initiate a payments modernisation programme in the future.**

The primary driver for this modernisation push is changing customer expectations, followed by cost reduction and competitors actions. The programme will encompass digital payments implementation/upgrades and the adoption of new payment methods. With budgets ranging between $2 million and $5 million, most programmes are expected to commence within the next 3-6 months.

Success will be measured by transaction speed and cost reduction. Interestingly, 50% of Retailers plan to outsource parts of their infrastructure, with payment processing services (71%) and technology infrastructure (69%) being the top choices. Ultimately, significant cost benefits (60%) are seen as the primary trigger for payments modernisation programme in Australian retail.



**Key Stats**

- **87%** of Retailers already have payments modernisation programmes underway or have plans to launch one.
- **33%** of respondents say, changing customer expectations is the most significant factor triggering their payments modernisation programme.
- **$5.2 million** is the average investment in a payments modernisation programme for Retailers.

KPMG

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Australia Analysis for Retailers

The leading expected benefits of the payments modernisation programmes:

- **Improved customer experience**
- **Long-term cost savings**
- **Faster transaction processing**

The most difficult challenges faced by Australian Retailers embarking on payments modernisation are:

- **Cost of implementing new payment technologies / systems**
- **Training staff to manage the shift from the old to new systems**
- **Deploying new payment infrastructure without affecting other operations**

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Transaction speed**
- **Cost reduction**
- **Adoption rate**

Payments modernisation programmes are broad in scope, but 67% of respondents are focused on digital payments implementation / upgrades.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Australia Analysis for Retailers

**15 months**

since the last significant modernisation of payments capabilities.

**60%**

of Retailers state that cost reduction is most significant factor which is triggering the payments modernisation

**58%**

of Retailers state that changing customer expectations are also a clear driver for creating the need for payments modernisation.

**24 is the average number of people allocated to work on modernisation programmes.**

**92%**

of Retailers currently offer or intend to offer loyalty cards to customers, with 40% already offering them.

**94%**

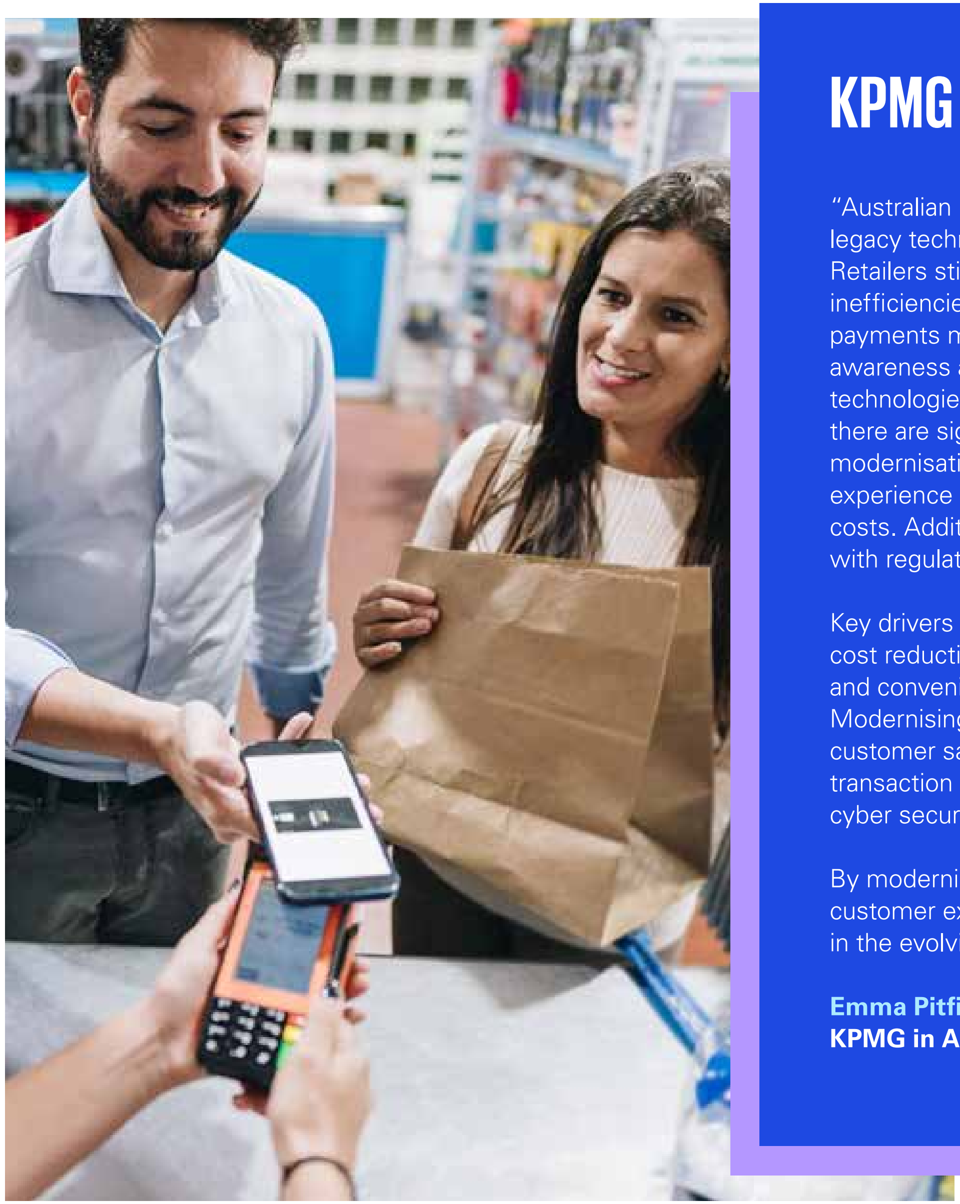
of Retailers currently offer or intend to offer digital apps to customers, with 50% already offering them.

**92%**

have/are planning to outsource any part of the modernisation programme, with payment processing services being most commonly outsourced.

KPMG

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



# KPMG Insight

"Australian Retailers are facing a complex payments landscape characterised by legacy technology, competing priorities, and evolving customer expectations. Many Retailers still rely on outdated point-of-sale systems and integrations, leading to inefficiencies and security risks. Additionally, they often struggle to prioritise payments modernisation due to other pressing business needs. This lack of awareness and inability to innovate can hinder their ability to adopt new payment technologies and meet evolving customer expectations. Despite these challenges, there are significant opportunities for Retailers who embrace payments modernisation. Modern systems can provide a more seamless and convenient experience for customers, enhance employee experience, and reduce transaction costs. Additionally, they can help mitigate cyber security risks and ensure compliance with regulations.

Key drivers for payments modernisation include changing customer expectations, cost reduction, and compliance. Customers are increasingly demanding more flexible and convenient payment options, including digital wallets and loyalty programmes. Modernising payments systems can help Retailers meet these demands and improve customer satisfaction. Additionally, modern systems can help Retailers reduce transaction costs and improve operational efficiency. Finally, they can help mitigate cyber security risks and ensure compliance with evolving regulations.

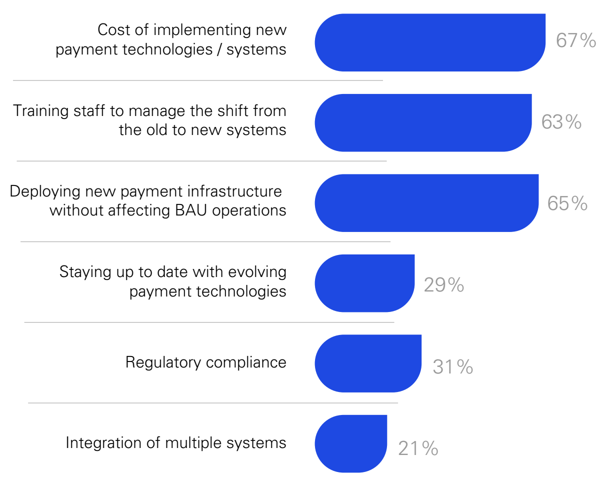
By modernising their payments systems, Australian Retailers can improve the customer experience, reduce costs, and mitigate risks. This will be crucial for success in the evolving payments landscape."

**Emma Pitfield, Partner**
**KPMG in Australia**

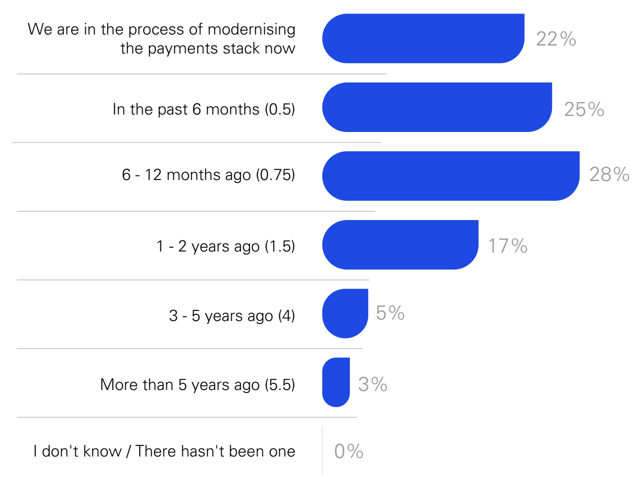
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Australia Analysis for Retailers

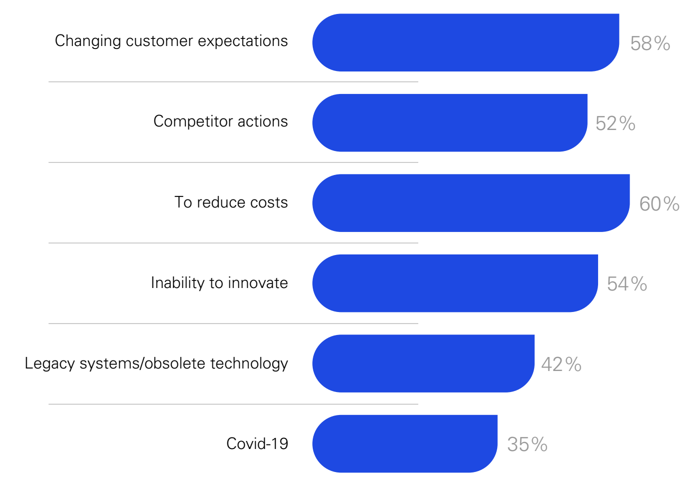
### Challenges faced in payments modernisation




### Significant modernisation status



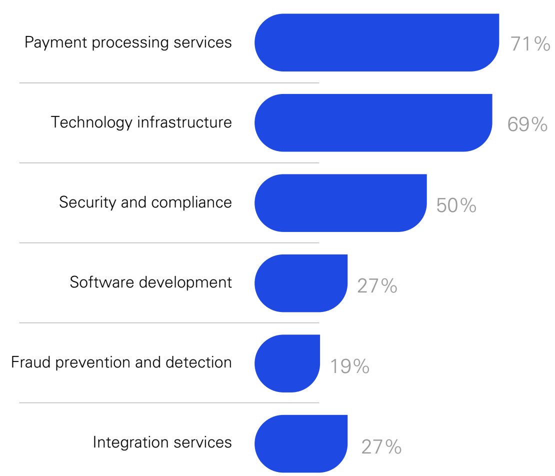

### Drivers for change



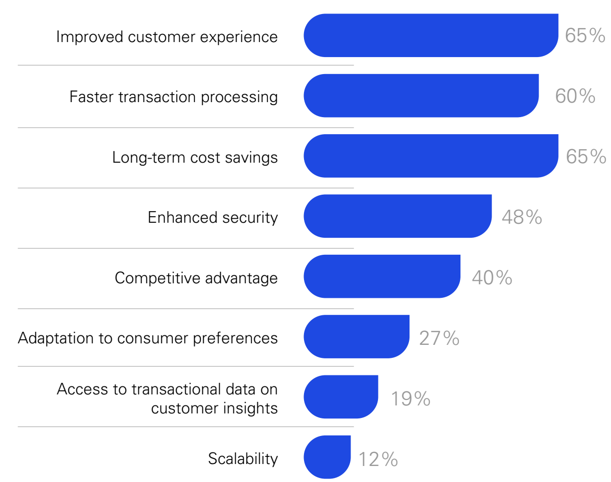

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Australia Analysis for Retailers (cont.)

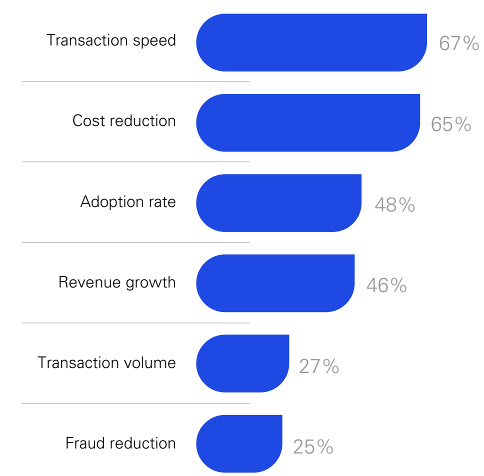
### Infrastructure which is most commonly outsourced

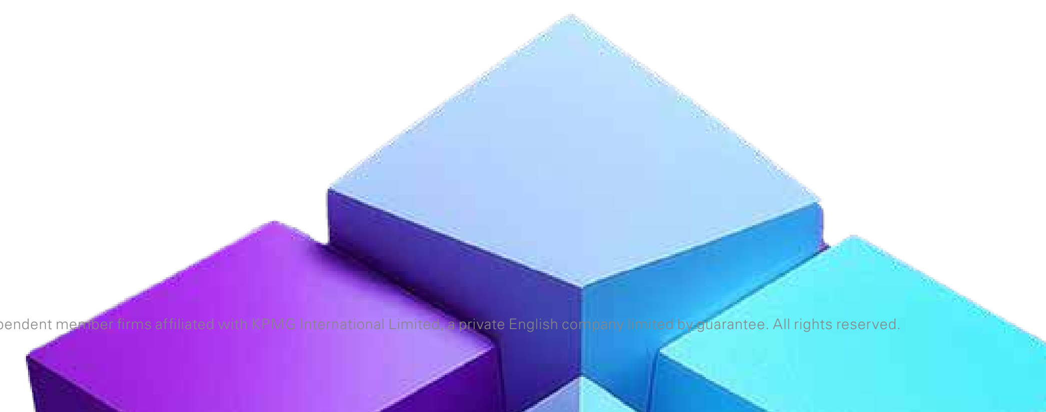



### Biggest perceived benefits




### Most common KPIs



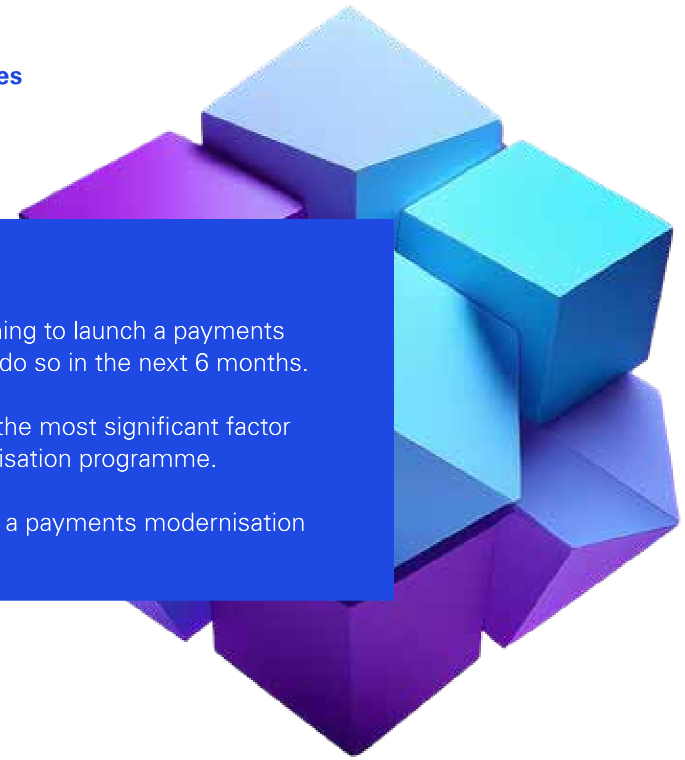



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Japan Financial Institutions

**Japan's payments landscape is seeing a profound transformation, balancing modernisation with its traditional cash-centric culture. While cash remains king, contactless and QR payments are gaining ground, particularly in urban areas. BNPL solutions are also finding traction, highlighting the evolving consumer preferences. Financial Institutions are actively embracing modernisation, with 96% planning to initiate or already underway with a payments modernisation programme. These programmes, primarily driven by cost reduction, will focus on digital channel upgrades and enhancing customer experience.**

With budgets ranging between $10 million and $25 million, many programmes are set to commence within the next 3-6 months. Success will be measured by transaction speed and cost reduction, with a significant reliance on outsourcing for technology infrastructure and security compliance. This modernisation drive, will likely pave the way for a future where cashless options dominate the Japanese payments landscape.



### Key Stats

- **67%** of Financial Institutions who are planning to launch a payments modernisation programme are planning to do so in the next 6 months.
- **51%** of respondents say reducing costs is the most significant factor which is triggering their payments modernisation programme.
- **$18.4 million** is the average investment in a payments modernisation programme for Financial Institutions.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Japan Analysis for Financial Institutions

The leading expected benefits of the payments modernisation programmes:

- **Faster transaction processing**
- **Long-term cost saving**
- **Improved customer experience**

The most difficult challenges faced by the Japanese Financial Institutions embarking on payments modernisation are:

- **Deploying new payment infrastructure without affecting BAU operations**
- **Integration of multiple systems**
- **Cost of implementing new payment technologies / systems**

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Transaction speed**
- **Cost reduction**
- **Transaction volume**

Payments modernisation programmes are broad in scope, but 63% of respondents are focused on digital channel implementation/ upgrade. 61% are also including customer experience.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Japan Analysis for Financial Institutions

**15 months**

is the average time since the last significant modernisation of payments capabilities. With 59% having completed a programme of such work within the last 12 months.

**51%**

of Financial Institutions surveyed state that changing customer expectations are a key driver for payments modernisation.

**49%**

of Financial Institutions state cost reduction is also a clear driver for creating the need for payments modernisation.

**85%**

have/are planning to outsource any part of the modernisation programme, with technology infrastructure being most commonly outsourced.

**37 is the average number of people allocated to work on modernisation programmes.**

**60% of Financial Institutions state that emerging technologies that are not compatible is an element of the wider payments ecosystem that they fear could impact modernisation programme delivery roadmaps.**

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# KPMG Insight

"The Japanese payments landscape is undergoing a rapid transformation, driven by the increasing adoption of new payment methods like QR payments and BNPL. This growth has put pressure on Financial Institutions to modernise their payment systems quickly, often at the expense of robust security and operational workflows. While this has led to the successful launch of new payment schemes, many institutions lack clear goals beyond simply releasing products. Despite the growth of cashless payments, cash remains dominant, accounting for 60% of transactions. Financial Institutions are facing challenges in acquiring new customers due to low profitability in the card acquiring business. This is partly due to high discount rates and the prevalence of loyalty points on credit cards, which adds to the cost for issuers.

B2B transactions are emerging as a new area of opportunity for Financial Institutions. These transactions typically involve larger amounts than B2C transactions and offer the potential for higher profit margins. Quick payments are also becoming increasingly important for B2B transactions, as suppliers need to be paid quickly. Contactless payments are becoming increasingly popular, driven by the use of smartphones and the COVID-19 pandemic. QR code payments are also gaining traction, particularly in metropolitan areas among younger consumers. Mega banks in Japan are beginning to implement the ISO 20022 standard for financial messaging, which will facilitate communication with foreign banks. This is not yet a trend among regional or smaller banks. Overall, the Japanese payments landscape is characterised by rapid growth, a focus on new payment methods, and challenges related to profitability and fraud."

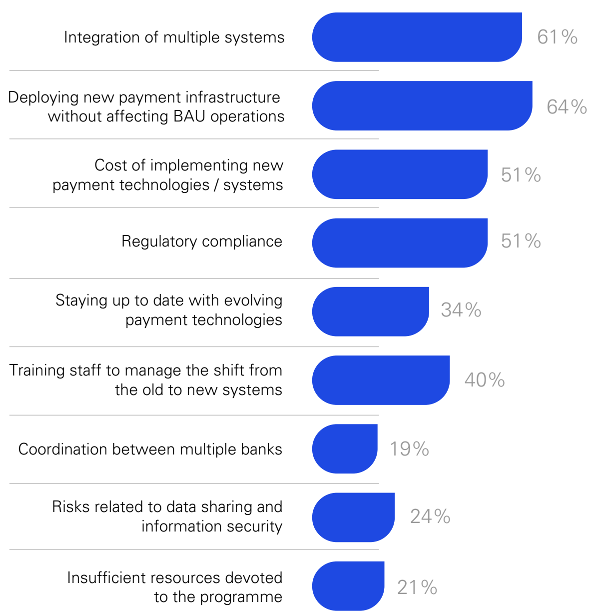
**Kai Sugihara, Senior Manager**
**KPMG in Japan**

**Asami Okute, Senior Manager**
**KPMG in Japan**

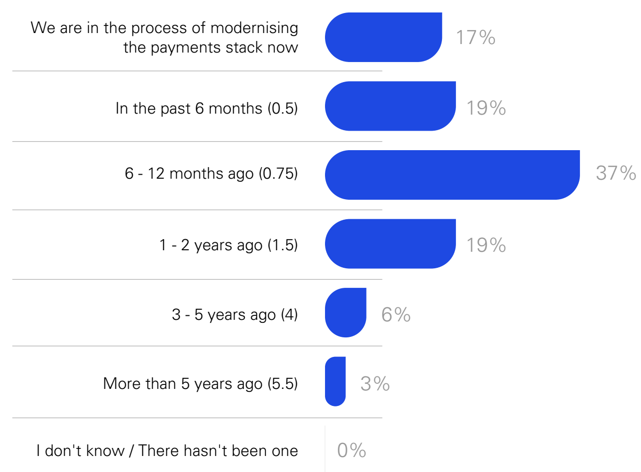
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Japan Analysis for Financial Institutions

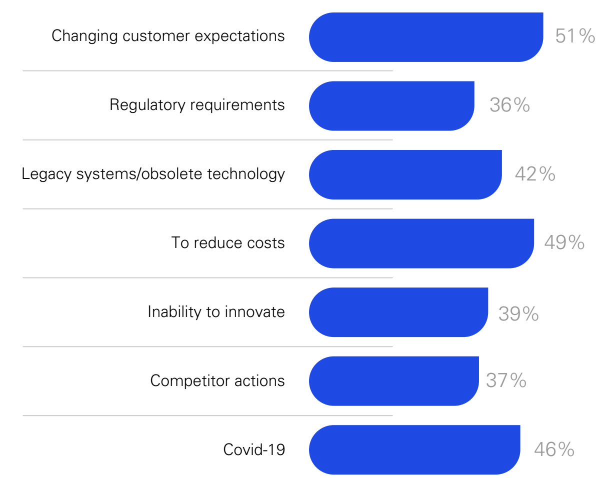
### Challenges faced in payments modernisation




### Significant modernisation status



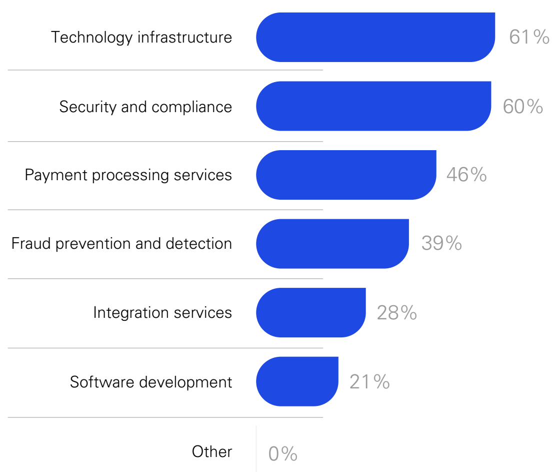

### Drivers for change



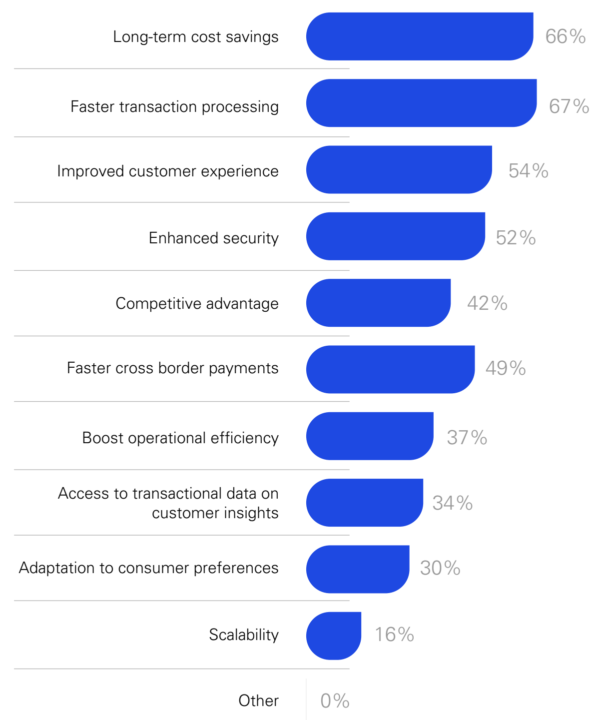

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Japan Analysis for Financial Institutions (cont.)

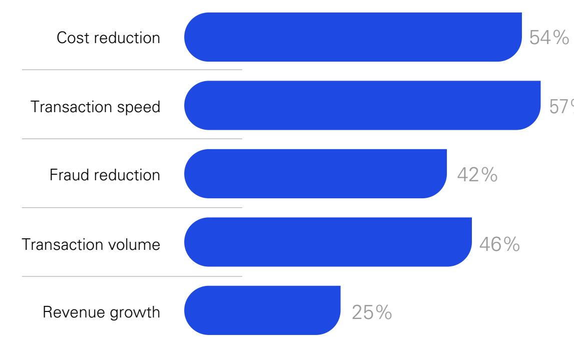
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits




### Most common KPIs




KPMG

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Japan Retailers

**Japan's payments landscape is seeing a profound transformation, balancing modernisation with its traditional cash-centric culture. While cash remains king, contactless and QR payments are gaining ground, particularly in urban areas. BNPL solutions are also finding traction, highlighting the evolving consumer preferences. Financial Institutions are actively embracing modernisation, with 67% planning to initiate programmes in the future. These programmes, primarily driven by cost reduction, will focus on digital channel upgrades and enhancing customer experience.**

The Japanese retail landscape is witnessing a pivotal transformation in its payments ecosystem. Contactless payments are poised for significant growth and the proliferation of payment providers necessitate tailored approaches to modernisation. The majority of Retailers (82%) have already initiated or are planning to launch payments modernisation programmes.

These programmes are primarily driven by the need to reduce costs (65%), by the desire to implement or upgrade digital channels (57%) and introduce new payment methods (51%). The budget for these programmes typically falls between $2 million and $5 million, with a significant portion (38%) expected to commence within the next six months.

Success is measured through key performance indicators such as revenue growth (59% – ranked 1) and cost reduction (55% – ranked 2). Interestingly, 98% of Retailers are currently outsourcing or plan to outsource parts of their infrastructure as part of modernisation efforts. Technology infrastructure (56% – ranked 1) and payment processing services (52% – ranked 2) are the most commonly outsourced components. By embracing these changes and adopting a strategic approach to modernisation, Japanese Retailers can achieve sustainable growth, enhance customer experience, and remain competitive in the evolving payments landscape.

**Key Stats**

- **82%** of Retailers already have payments modernisation programmes underway or have plans to launch one.
- **65%** of respondents say reducing costs is the most significant factor triggering their payments modernisation programme.
- **49%** of respondents are planning for a budget of between **$2 million** and **$5 million** for their payments modernisation programme.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Japan Analysis for Retailers

The leading expected benefits of the payments modernisation programmes:

- **Improved customer experience**
- **Faster transaction processing**
- **Long-term cost savings**

---

The most difficult challenges faced by the Japanese Retailers embarking on payments modernisation are:

- **Cost of implementing new payment technologies / systems**
- **Training staff to manage the shift from the old to new systems**
- **Deploying new payment infrastructure without affecting other operations**

---

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Revenue growth**
- **Cost reduction**
- **Adoption rate**

Payments modernisation programmes are broad in scope, but 57% of respondents are focused on digital payments implementation / upgrades. 51% are also including new payment methods.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Japan Analysis for Retailers

**11 months**

since the last significant modernisation of payments capabilities of payments capabilities. With 70% having completed a programme of such work within the last 12 months.

**65%**

of Retailers surveyed state that reducing costs is a key driver for payments modernisation.

**57%**

of Retailers state that competitor actions are also a clear driver for creating the need for payments modernisation.

**21 is the average number of people allocated to work on modernisation programmes.**

**98%**

of Retailers currently offer or intend to offer digital apps to customers, with 57% already offering them.

**96%**

of Retailers currently offer or intend to offer store cards to customers, with 39% already offering them.

**98%**

have/are planning to outsource any part of the modernisation programme, with technology infrastructure being most commonly outsourced.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

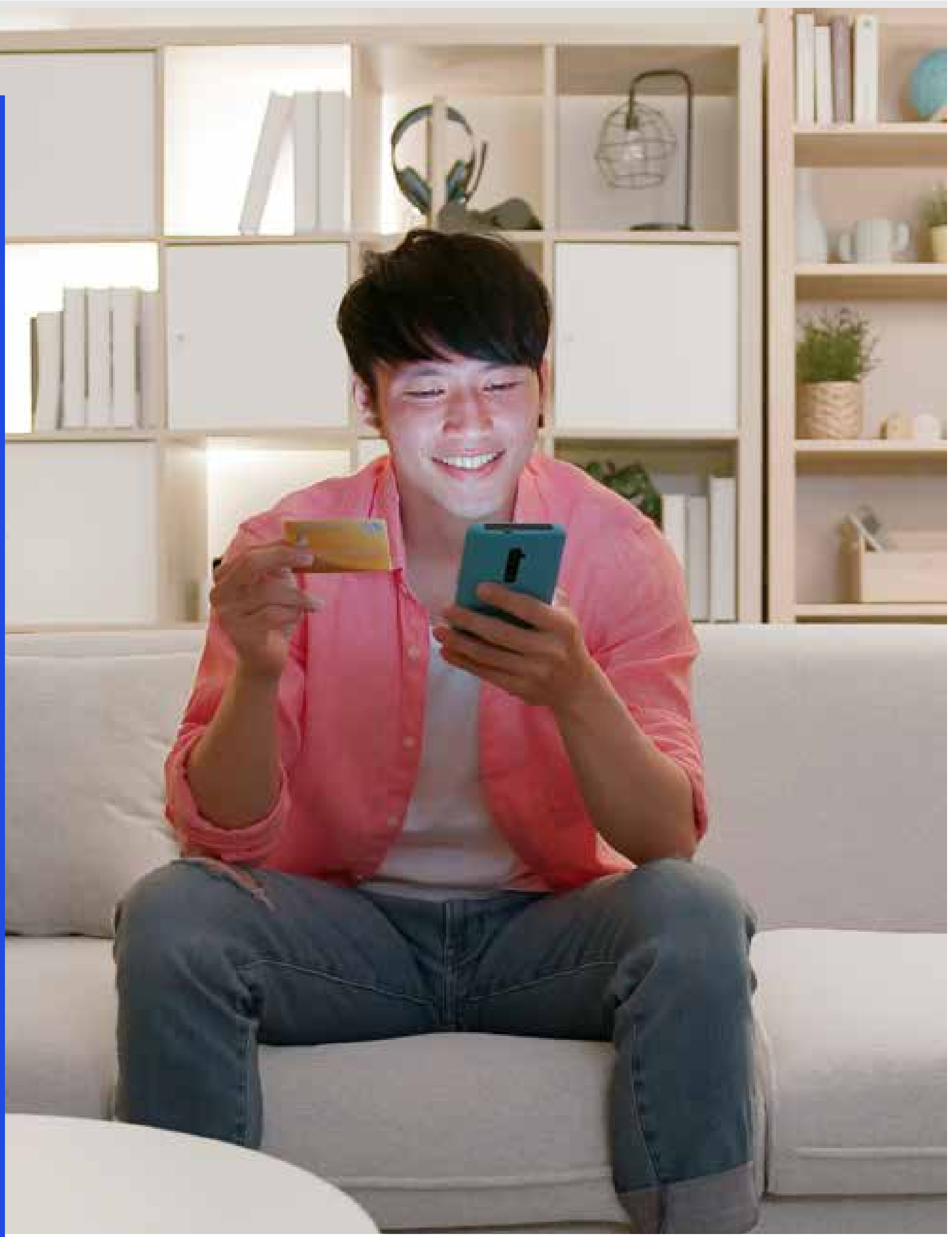
# KPMG Insight

"The Japanese payments retail landscape is shifting in a significant way. While cost reduction remains a key driver for modernisation, the initial investment required often poses a challenge. However, the long-term value proposition of improved customer experience, marketing opportunities, and topline growth cannot be ignored. Competitor actions are also driving change, with the proliferation of payment technology providers in recent years. This has led to a more fragmented landscape, but also presents opportunities for Retailers to leverage innovative solutions to enhance customer experience and loyalty.

Contactless payments are expected to grow significantly in Japan, offering opportunities to increase customer transaction value and improve customer experience. Additionally, payment data can be leveraged for targeted marketing and promotions, further driving topline growth.

However, it is important to acknowledge the unique challenges of the Japanese market. The higher proportion of cash payments and the dominance of credit cards in contactless transactions require tailored approaches. Additionally, the proliferation of providers necessitates careful selection and integration to avoid complexity. Emerging trends such as the expansion of e-commerce are posing new challenges for Retailers, requiring effective logistics and human capital utilisation strategies. By addressing these challenges and embracing the opportunities presented by payments modernisation, Retailers in Japan can achieve sustainable growth and success in the evolving market."

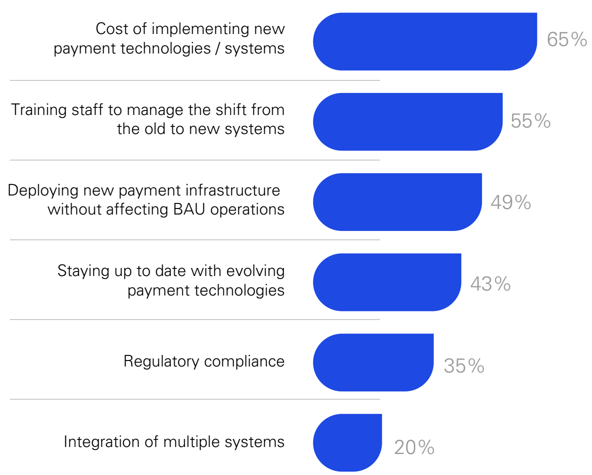
**Yuji Ito, Partner**
**KPMG in Japan**



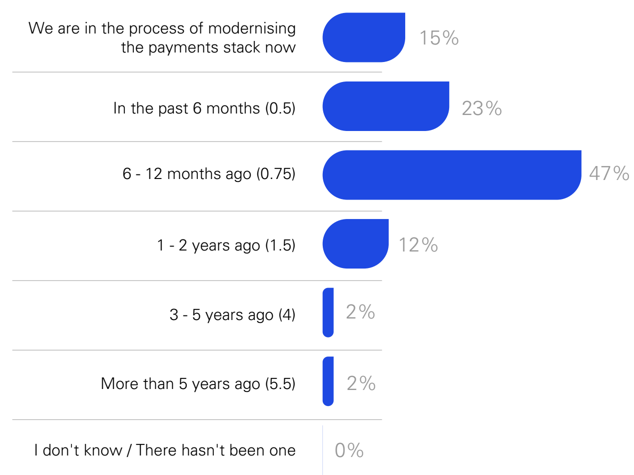
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Japan Analysis for Retailers

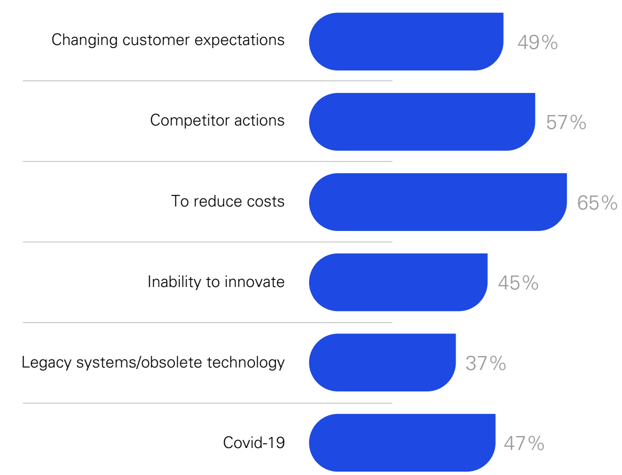
### Challenges faced in payments modernisation




### Significant modernisation status



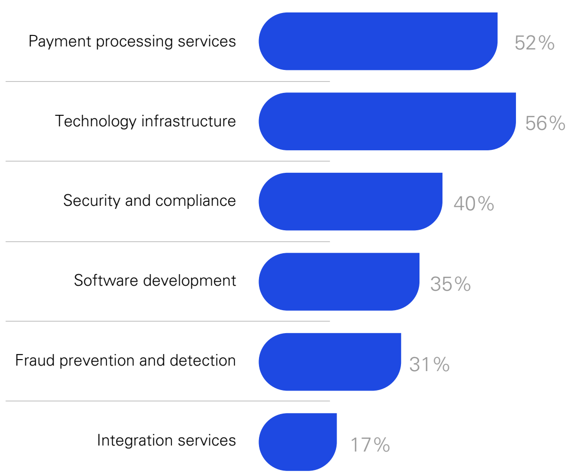

### Drivers for change



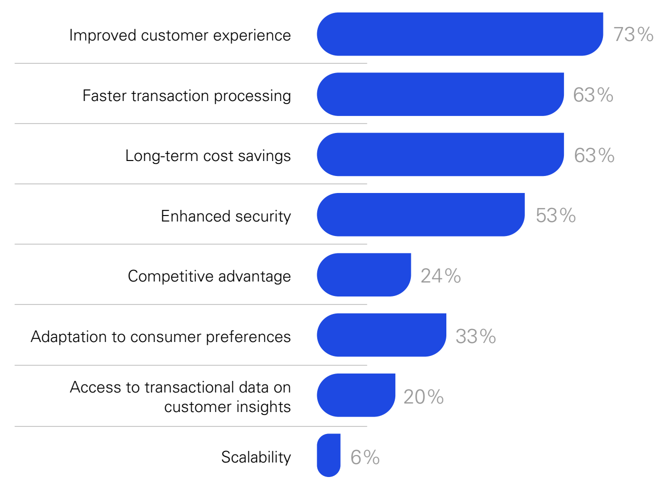

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – Japan Analysis for Retailers (cont.)

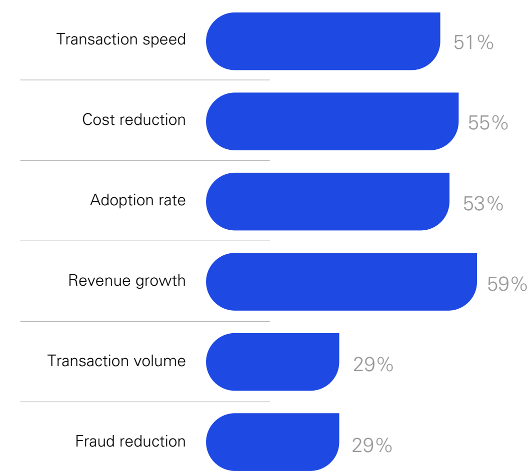
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits




### Most common KPIs




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# China Financial Institutions

**China's Financial Institutions face intense competition and evolving regulatory demands, driving a focus on customer experience, new products, and data privacy. While large corporates remain the primary focus, retail consumers are increasingly served by platforms like Alipay and Tencent, demanding convenience and NFC-based payments.**

Modernisation programmes are a top priority for 92% of Financial Institutions already have payments modernisation programmes underway or have plans to launch one. These programmes will focus on digital payment upgrades (73%), payments engine enhancements (64%), and outsourcing of infrastructure components like payment processing (43%), technology (72%), and security (51%).

The budget for these programmes ranges between $10 million and $25 million, with most starting within the next 3-6 months. Success will be measured by cost reduction and transaction speed. Challenges include system integration and operational disruption, but Financial Institutions are leveraging AI and data to improve AML/fraud prevention and meet regulatory expectations. Additionally, efforts are underway to facilitate investments by foreign visitors, while the central bank explores its own digital currency, excluding cryptocurrencies.

Overall, China's Financial Institutions are navigating a complex landscape, balancing modernisation with competition and regulation to deliver a seamless and secure payments experience for all.

### Key Stats

- **92%** of Financial Institutions already have payments modernisation programmes underway or have plans to launch one which is in line with other global regions.
- **46%** of Financial institutions state that competitor actions is the most significant factor which is triggering the payments modernisation programme.
- **$17.5 million** is the average investment in a payments modernisation programme for Financial Institutions.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – China Analysis for Financial Institutions

The leading expected benefits of the payments modernisation programmes:

- **Long-term cost saving**
- **Faster transaction processing**
- **Competitive advantage**

---

The most difficult challenges faced by the Chinese Financial Institutions embarking on payments modernisation are:

- **Integration of multiple systems**
- **Deploying new payment infrastructure without affecting BAU operations**
- **Regulatory compliance**

---

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Cost reduction**
- **Transaction speed**
- **Fraud reduction**

Payments modernisation programmes are broad in scope, but 73% of respondents are focused on digital channel implementation/upgrade. 66% are also including customer experience.


© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – China Analysis for Financial Institutions

**14 months**

is the average time since the last significant modernisation of payments capabilities. With 59% having completed a programme of such work within the last 12 months.

**46%**

of Financial Institutions surveyed state that competitor actions is a key driver for payments modernisation.

**45%**

of Financial Institutions state legacy systems / obsolete technology is also a clear driver for creating the need for payments modernisation.

**96%**

have/are planning to outsource any part of the modernisation programme, with technology infrastructure being most commonly outsourced.

**34 is the average number of people allocated to work on modernisation programmes.**

**57% of Financial Institutions state that emerging technologies that are not compatible is an element of the wider payments ecosystem that they fear could impact modernisation programme delivery roadmaps.**

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.


# KPMG Insight

"Intense competition from peers drives the payments market in China, with retail consumers demanding a better, quicker customer experience and new products or services. Combining this demand with additional regulatory compliance that focuses on data privacy, KYC, AML, with China's regulator evolving their own expectations from those operating in the sector.

While large corporates are the main focus for Financial Institutions, retail consumers see their services provided by the larger payment companies such as Alipay or Tencent. The platforms provided by these firms serve the majority of retail traffic in China, so they take more of a lead in targeting new products than traditional FI's for the retail base. The focus is convenience, with NFC becoming more prevalent for consumers.

One area we continue to see progress in is reducing friction for those who visit China, and want to invest. It is expected that some resources will be allocated to help overcome challenges on verification of these customers. Linked to visitors is the enhancements for AML and fraud prevention demands. AI and data usage are opportunities to strengthen the fight to improve and ensure China is in line with overseas markets – something the regulator has as a key concern and focus.

Finally, digital currencies are being looked at by the Central Bank of China, but worth noting all crypto currency and assets are forbidden so efforts are focused on China's own central bank digital currency creation."

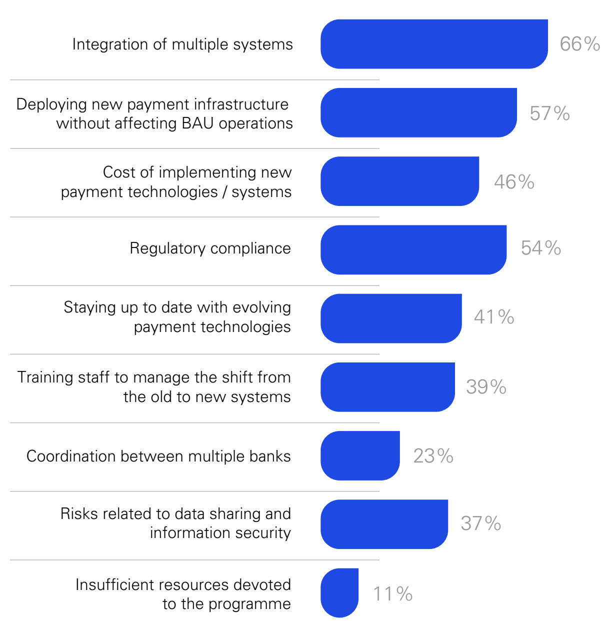
**Andrew Huang, Head of Fintech**
**KPMG in China**

**Eric Pang, Partner**
**KPMG in China**

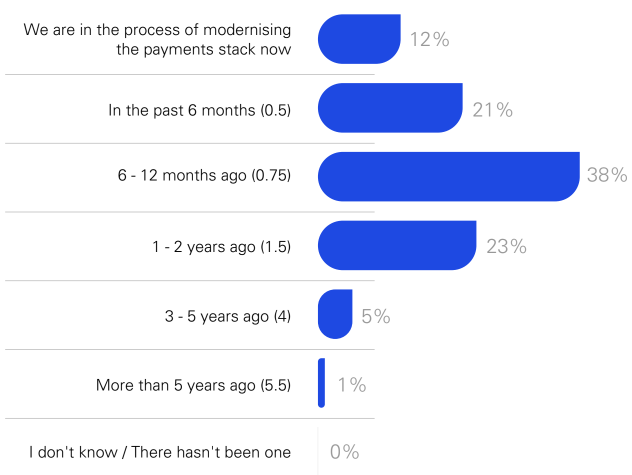
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – China Analysis for Financial Institutions

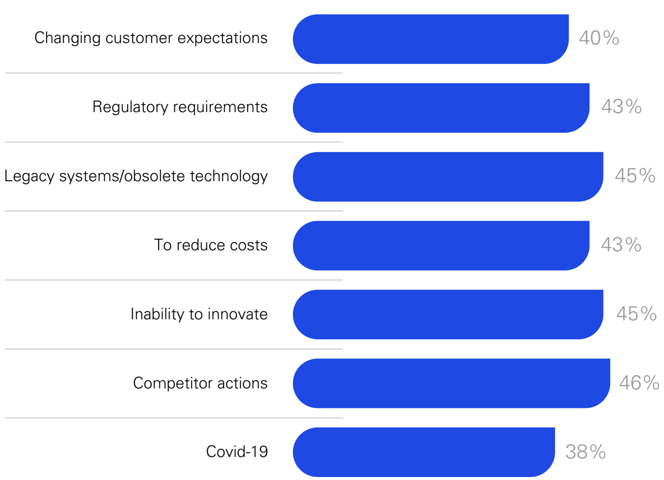
### Challenges faced in payments modernisation

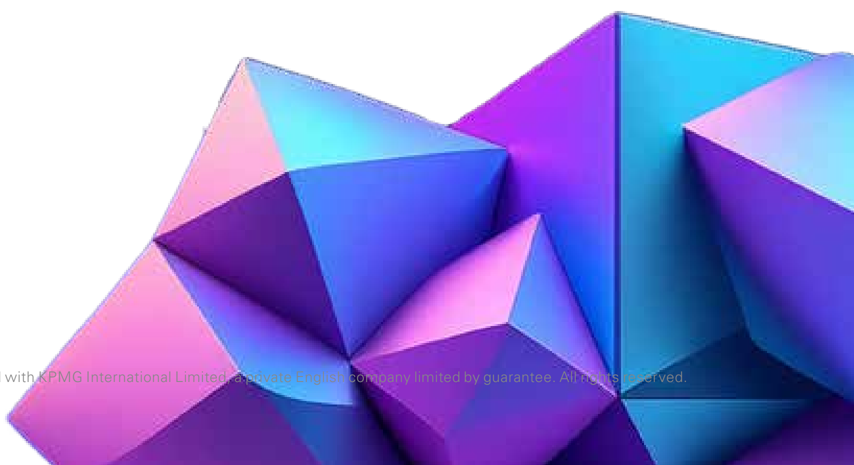



### Significant modernisation status




### Drivers for change

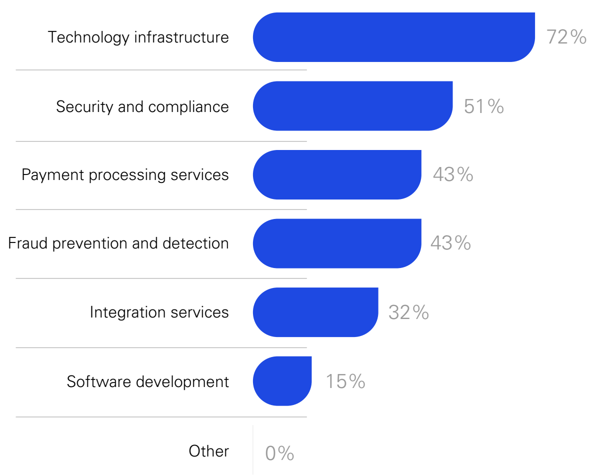


© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

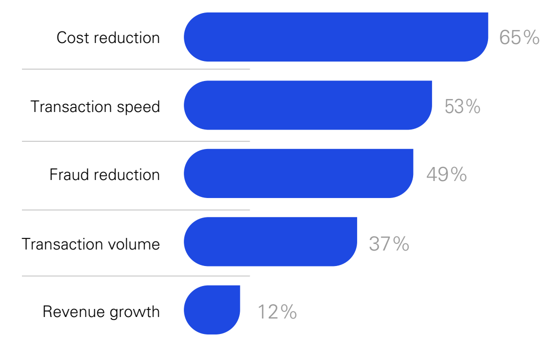
# Key Findings – China Analysis for Financial Institutions (cont.)

### Infrastructure which is most commonly outsourced




### Biggest perceived benefits


### Most common KPIs

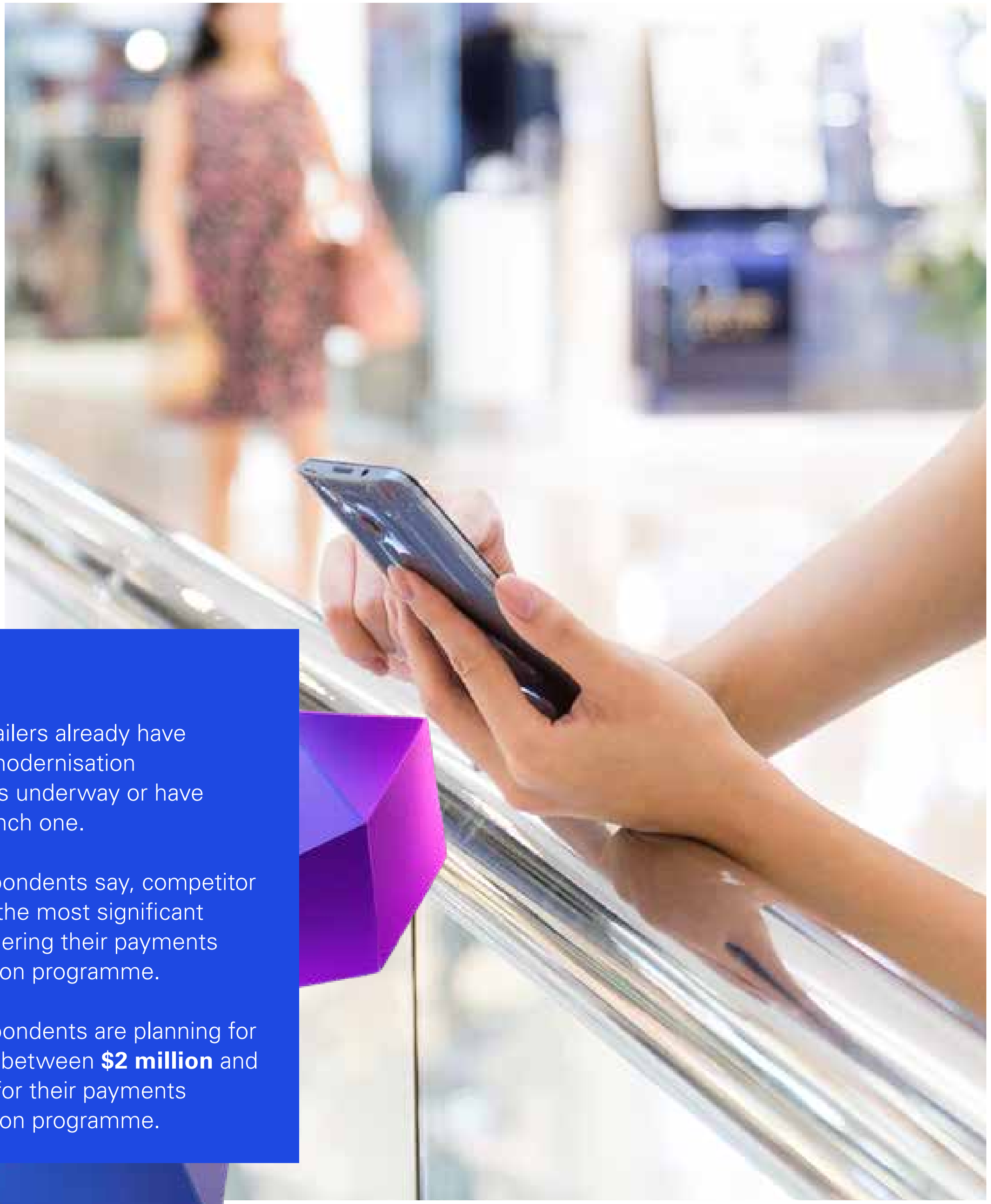



© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# China Retailers

**China's retail landscape is dominated by digital wallets like WeChat Pay and Alipay, driving a shift towards contactless payments and convenience. To meet customer demands, Retailers are prioritising digital payment integration, reducing reliance on cards with high commissions. This focus on cost reduction extends to supply chains, with e-commerce playing a crucial role in maximising revenue.**

With 63% of Retailers planning payments modernisation programmes, the focus is on digital payment upgrades and new methods. The budget for these programmes ranges between $2 million and $5 million, with most programmes starting within the next 3-6 months. Success will be measured by transaction volume, cost reduction, and adoption rate. Outsourcing plays a significant role, with 40% currently outsourcing and 47% planning to do so. Payment processing services, technology infrastructure, and security & compliance are the main areas outsourced. However, challenges remain, including staff training and the cost of implementing new technologies. Overcoming these hurdles will be crucial for Retailers to fully capitalise on the opportunities presented by China's dynamic payments landscape.



### Key Stats

- **89%** of Retailers already have payments modernisation programmes underway or have plans to launch one.
- **53%** of respondents say, competitor actions are the most significant factors triggering their payments modernisation programme.
- **52%** of respondents are planning for a budget of between **$2 million** and **$5 million** for their payments modernisation programme.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – China Analysis for Retailers

The leading expected benefits of the payments modernisation programmes:

- **Improved customer experience**
- **Faster transaction processing**
- **Long-term cost savings**

The most difficult challenges faced by the Chinese Retailers embarking on payments modernisation are:

- **Training staff to manage the shift from the old to new systems**
- **Cost of implementing new payment technologies / systems**
- **Deploying new payment infrastructure without affecting other operations**

The leading KPIs used to measure success of payments modernisation programmes are as follows:

- **Transaction speed**
- **Cost reduction**
- **Adoption rate**

Payments modernisation programmes are broad in scope, but 57% of respondents are focused on digital payments implementation / upgrades. 54% are also including new payment methods.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – China Analysis for Retailers

**14 months**

since the last significant modernisation of payments capabilities of payments capabilities. With 54% having completed a programme of such work within the last 12 months.

**60%**

of Retailers surveyed state that competitor actions is a key driver for payments modernisation.

**58%**

of Retailers state that changing customer expectations are also a clear driver for creating the need for payments modernisation.

**23 is the average number of people allocated to work on modernisation programmes.**

**93%**

of Retailers currently offer or intend to offer digital apps to customers, with 54% already offering them.

**89%**

of Retailers currently offer or intend to offer digital wallets to customers, with 72% already offering them.

**87%**

have/are planning to outsource any part of the modernisation programme, with payment processing services being most commonly outsourced.

KPMG

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# KPMG Insight

"With a high adoption of digital wallets through the main providers (WeChat Pay, Tencent and Alipay) Retailers need to ensure they meet customer demands. Retailers prefer not to support card payments due to high charges. Mobile payments have lower charges which has helped drive the move to contactless.

Customers demand convenience and integrated platforms are helping Retailers do this and reduce costs in a very competitive environment. Retailers are looking to increase revenues by acquiring online Retailers. With China competing on a global stage, all aspects of supply chains are being looked at to identify where cuts can be made.

The high use of digital wallets creates an opportunity and we see the desire to utilise payments data as a source for consumer analysis, combining with new technologies to deliver enhanced benefits. An example is how AI can be used to mine through the data and allow Retailers to ensure they are targeting the right customer at the right time, at the right price. The data allows for increased understanding on how payments flow across different entities, again providing an area for insights to be gained.

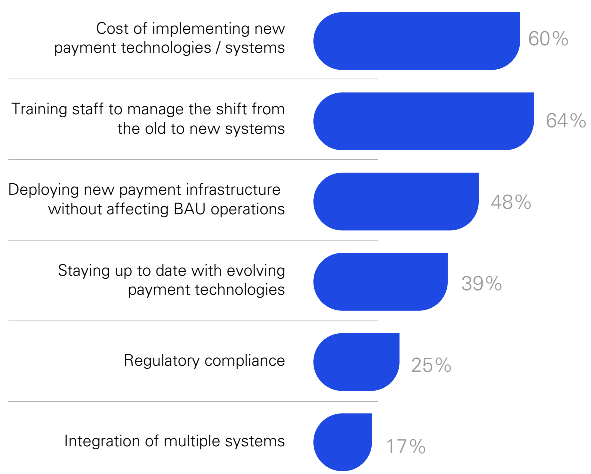
Data is where we see the real opportunity in the market, with the e-commerce maturity and strength of the main providers of digital wallets. Retailers need to ensure access to these as customers demand it"

**Willi Sun, Partner in Charge, Advisory Consumer & Retail Markets**
**KPMG in China**

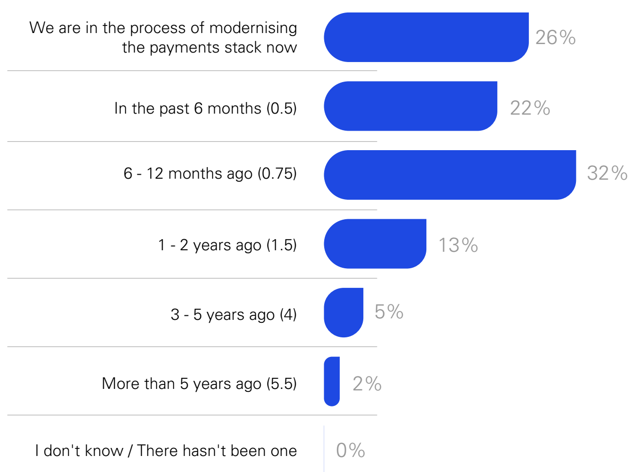
© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – China Analysis for Retailers

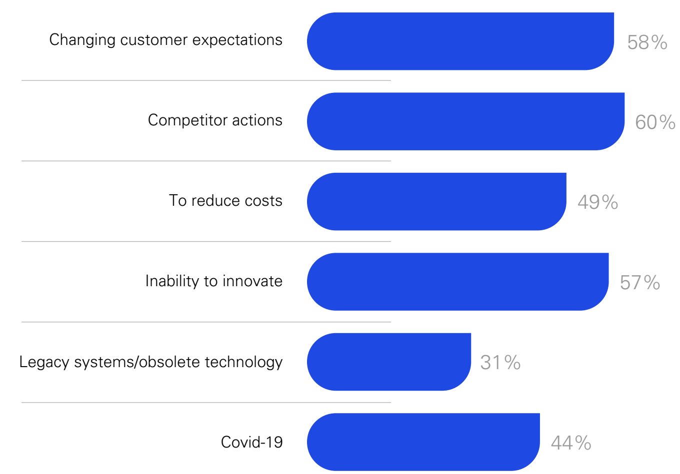
### Challenges faced in payments modernisation




### Significant modernisation status



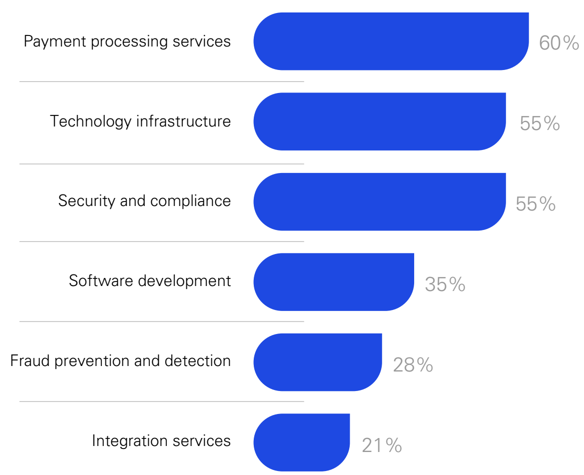

### Drivers for change



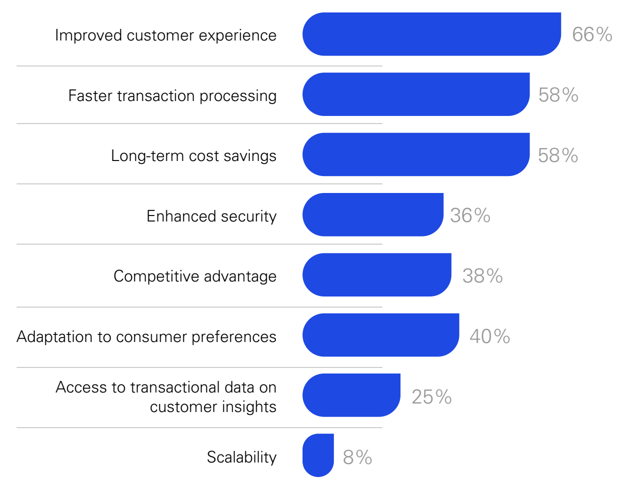

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Key Findings – China Analysis for Retailers (cont.)

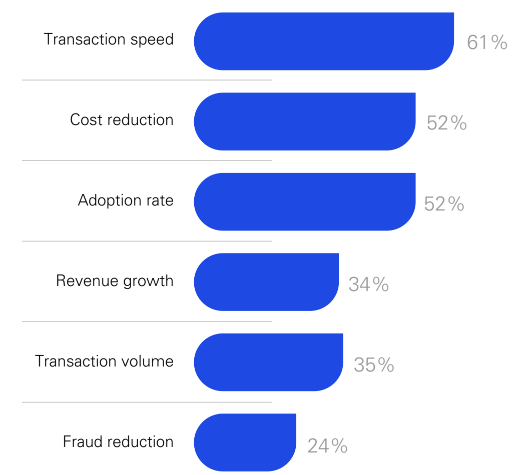
### Infrastructure which is most commonly outsourced




### Biggest perceived benefits



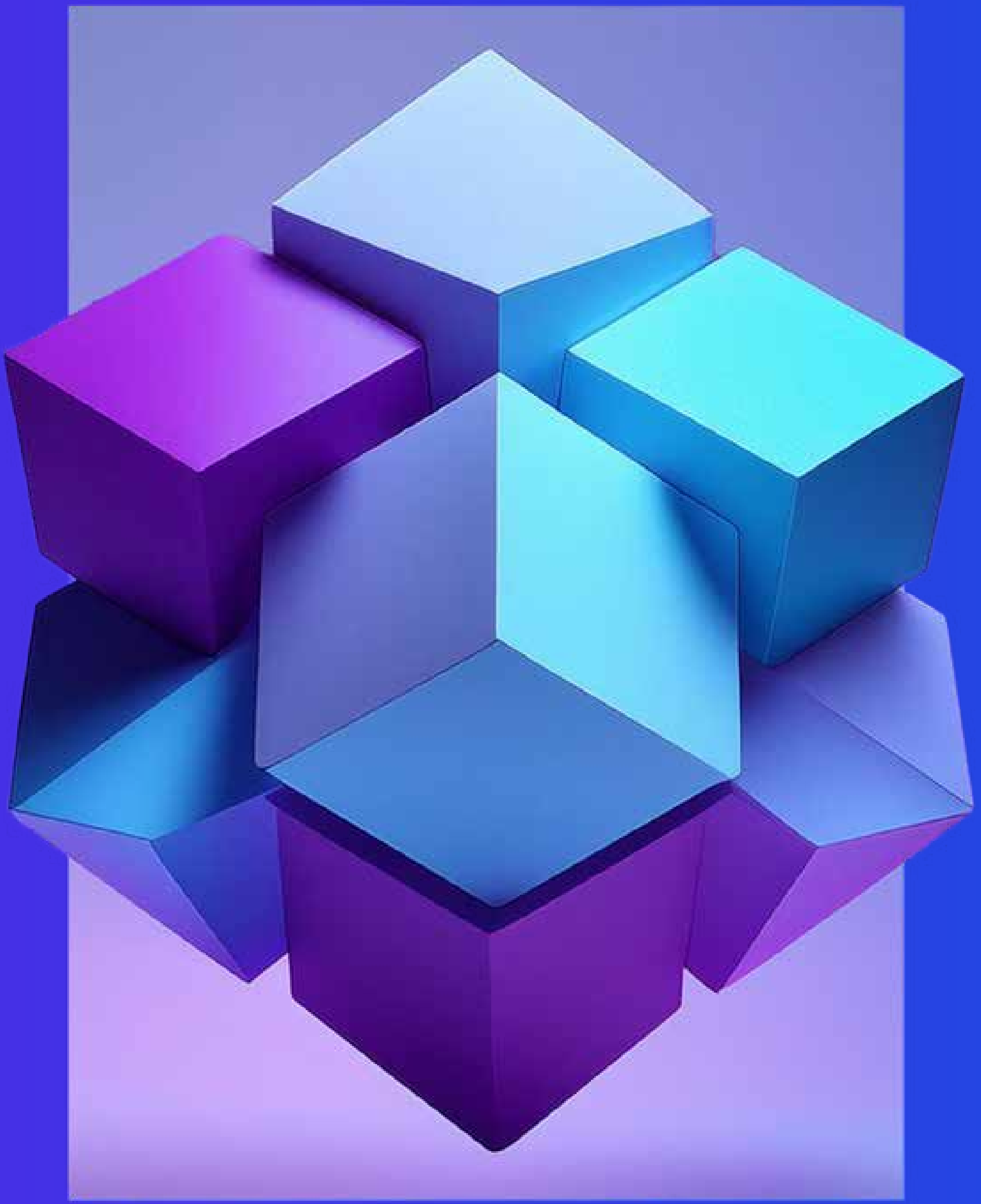

### Most common KPIs




© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# 03

# Conclusion – transitioning from the old to the new



# Conclusion – transitioning from the old to the new

**Analysing this year's global report against last year's UK focused report, brings one message loud and clear – payments modernisation is a constant, but the drivers and expected benefits vary. This applies, both, between the Financial Institutions and Retailer sector as well between regions and countries. Here are four conclusions to take away from our Payments Modernisation report:**

### 1. The customer comes first:

Customer expectations are the leading driver for payments modernisation. The companies that succeed will be the ones that listen to what their customers want, deliver products and services their customers expect, and plan for what their customers will need. For a sharper defence against competition, organisations need to shift from their agendas and budget priorities being driven solely by regulatory requirements and keep customer demand (retail and corporate) at the top of their agendas.

### 2. Technology renewal is the differentiator:

Though technology is more flexible, legacy stacks continue to hinder and complicate the pace of modernisation. There is a reluctance to rip-and-replace these systems due to cost pressures, key person dependencies, and the spaghetti of connections across the architecture. A fragmented move, supporting partial functionalities being transitioned to newer technology, could speed up this move through transition states. Payments-as-a-service, public/private/hybrid clouds and component-based architectures may provide a solution to payments modernisation.

### 3. Resourcing teams appropriately is key:

Undertaking modernisation programmes while 'keeping the lights on' is difficult. Often the resources needed for modernisation are the same as those that understand business-as-usual (BAU). Resourcing modernisation teams to the right size is critical for successful modernisation programmes. Agile operating models have proven to be successful in helping balance resources across, both, modernisation efforts and BAU.

### 4. Data is the new frontier:

Payment data presents a gold-mine of information for firms. Leveraging ISO20022 and harnessing data presents an opportunity to form a holistic picture of the customer's needs. Retailers more than Financial Institutions have done this with some success to date. The clout of smarter technology, AI, and increased digital interactions will further improve this and present data monetisation avenues.

### How can KPMG help?

KPMG are experts in modernisation with global Advisory services that support both Financial Institutions and Retailer clients. We help our clients with everything from developing the strategy and business case for change to executing complex modernisation activities. We support the transformation of operating models, implementation of technologies, and adoption of innovation, all while managing the associated risks and costs. We also support with cultural change and team communication, ensuring the people in the firm are brought on the modernisation journey too. Our SMEs come with substantial experience across the payments domain and understand the context and drivers for change in the industry.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# 04 Methodology

# Methodology

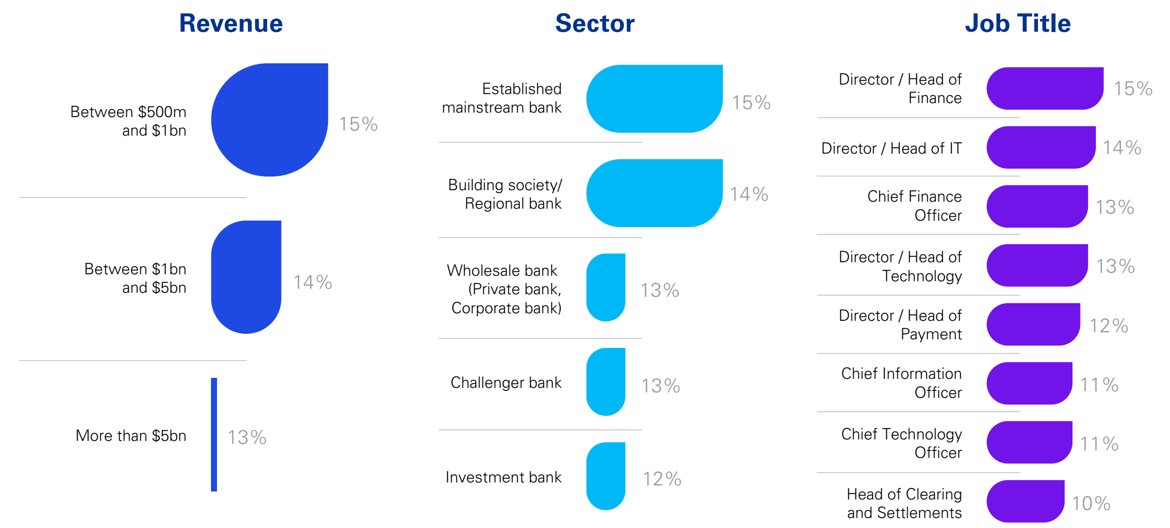
This report is based on quantitative research carried out in September 2024.

In total, 810 Financial Institutions took part. These spanned four categories with respondents from: established mainstream banks, building societies/ regional banks, challenger banks, wholesale banks and private banks, with respondents based in countries and regions worldwide.

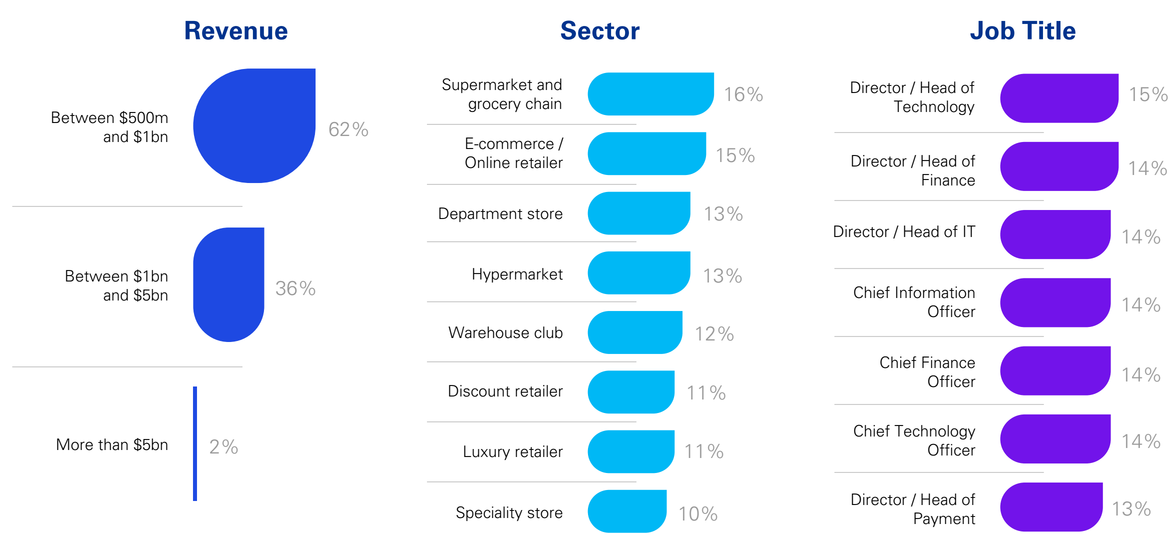
In addition, the research includes responses from 690 Retailers spanning sectors including supermarkets, ecommerce, department stores and discount Retailers; as with Financial Institutions, respondents were split between regions worldwide.

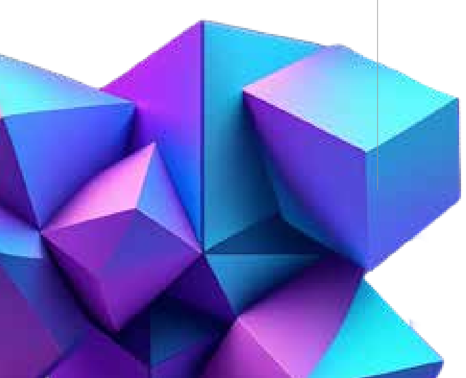
**More detail is included in the charts**

## Responders Profile Financial Institutions




## Responders Profile Retailers





© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# About KPMG

KPMG LLP, a UK limited liability partnership, operates from 20 offices across the UK with approximately 17,000 partners and staff. The UK firm recorded a revenue of £2.72 billion in the year ended 30 September 2022.

KPMG is a global network of independent professional services firms providing Audit, Legal, Tax and Advisory services. It operates in 143 countries and territories with more than 265,000 partners and employees working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

KPMG's multi-disciplinary approach and practical industry knowledge help clients meet challenges and respond to opportunities. We offer a strong spread of services within our payments capability while focusing on four major capabilities – regulatory advisory, payments modernisation, ISO20022 format support and financial crime advisory.

# Contacts

**Peter Harmston**
Partner, Head of Payments Consulting
peter.harmston@kpmg.co.uk

**Ellie Hewiit**
Director, Payments Consulting
ellie.hewitt@kpmg.co.uk

**Imran Ali**
Director, Payments Consulting
imran.ali2@kpmg.co.uk

**Michelle Plevey**
Director, Payments Regulation
michelle.plevey@kpmg.co.uk

**Rajesh Gosain**
Director, Payments Consulting
rajesh.gosain@kpmg.co.uk

Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

**kpmg.com/uk**

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

CREATE. CRT155572