FINANCIAL INNOVATION & PAYMENTS SUMMIT

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& Marina, Newport, RI

Opal Group

Key Themes in Retail and Fintech for 2019

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Where commerce meets capital

An introduction to ComCap

- ComCap is a premier boutique investment bank focused on the intersection of commerce and capital, with key focus on B2B SaaS, B2C ecommerce, payments, mobile commerce, marketplaces and B2B services for retail technologies (IT and marketing services, in-store, fulfillment, logistics, call center, analytics, personalization, location intelligence)

- Headquartered in San Francisco with European coverage from London & Moscow, and LATAM coverage from Sao Paulo. Our firm works with mid-cap public companies on buyside initiatives and public and private growth companies on financing and strategic M&A

- In addition to being the only boutique focused on disruptive commerce models, we differentiate by:

    – Bringing bulge bracket techniques to emerging models;

    – A strong and uncommon buyside/strategy practice;

    – Deep understanding of industry drivers and synergy analyses;

    – Deep relationships across the sector; and

    – Worldwide coverage with closed transactions in the United States, Japan, China, the ASEAN region, Western and Eastern Europe and Latin America

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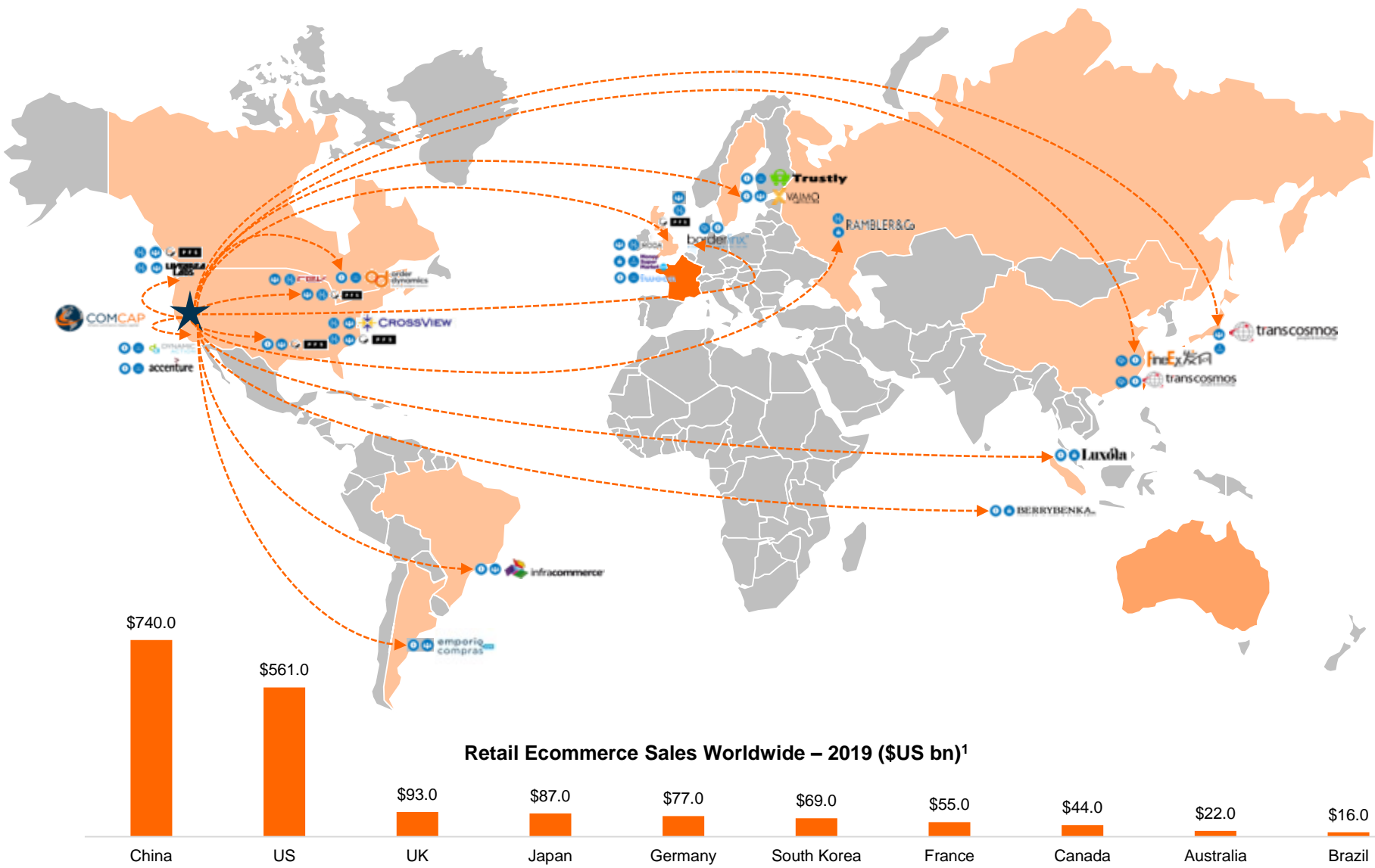M: +1 612-578-7512
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ComCap – Active in 14 countries, including 9 of the top 10 global ecommerce markets

Retail Ecommerce Sales Worldwide – 2019 ($US bn)[1]

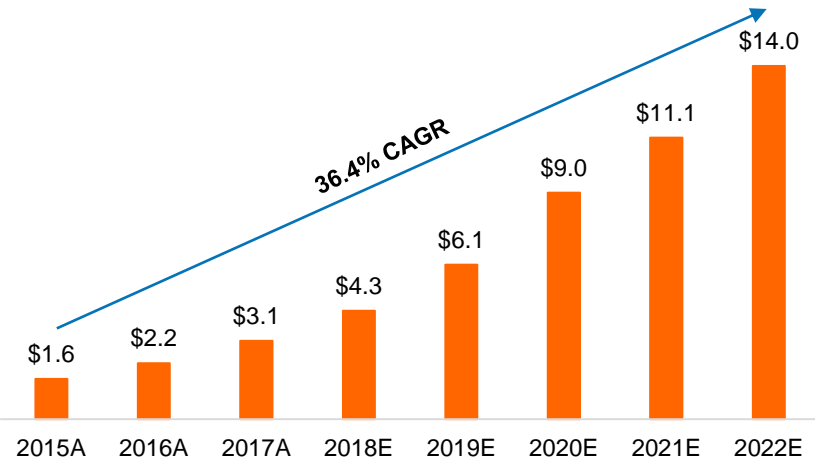| China	US	UK	Japan	Germany	South Korea	France	Canada	Australia	Brazil
$740.0	$561.0	$93.0	$87.0	$77.0	$69.0	$55.0	$44.0	$22.0	$16.0

Key Themes in Retail and Fintech for 2019

1 Market outlook: Financial technologies are evolving alongside ecommerce at a rapid pace

2 Competitive landscape: Major global players are competing for payments revenue

3 Global retailers are focusing on digital wallets and payment processing services

4 "Super apps" are strengthening their market leadership by adding payment capabilities

5 Payments majors are moving from online to in-store

6 Retailers are inspiring loyalty through customer engagement and incentive programs

7 Ecommerce leaders are innovating in-store, led by mobile checkout technology

8 Alternative lending is disrupting legacy credit-based banking methods
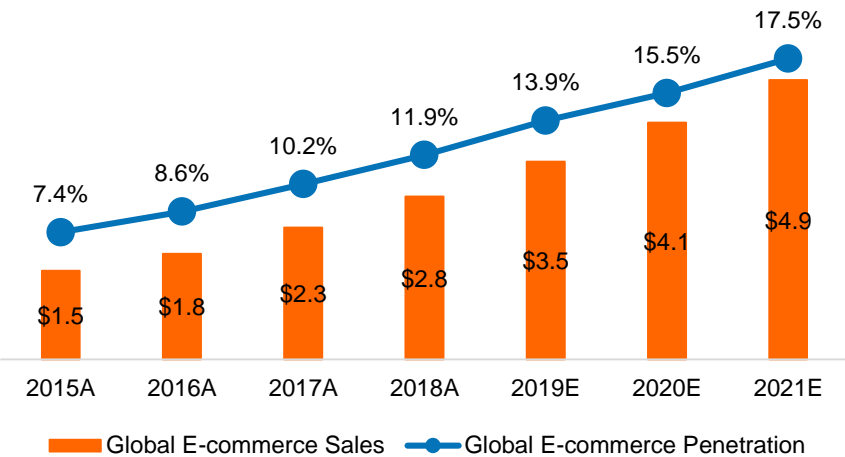
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① Next-gen payments and Ecommerce represent two of the fastest growing markets with scale

Innovative financial technologies are evolving alongside ecommerce at a rapid pace

Annual transaction value of the next-generation payment technology market (*$tn*)
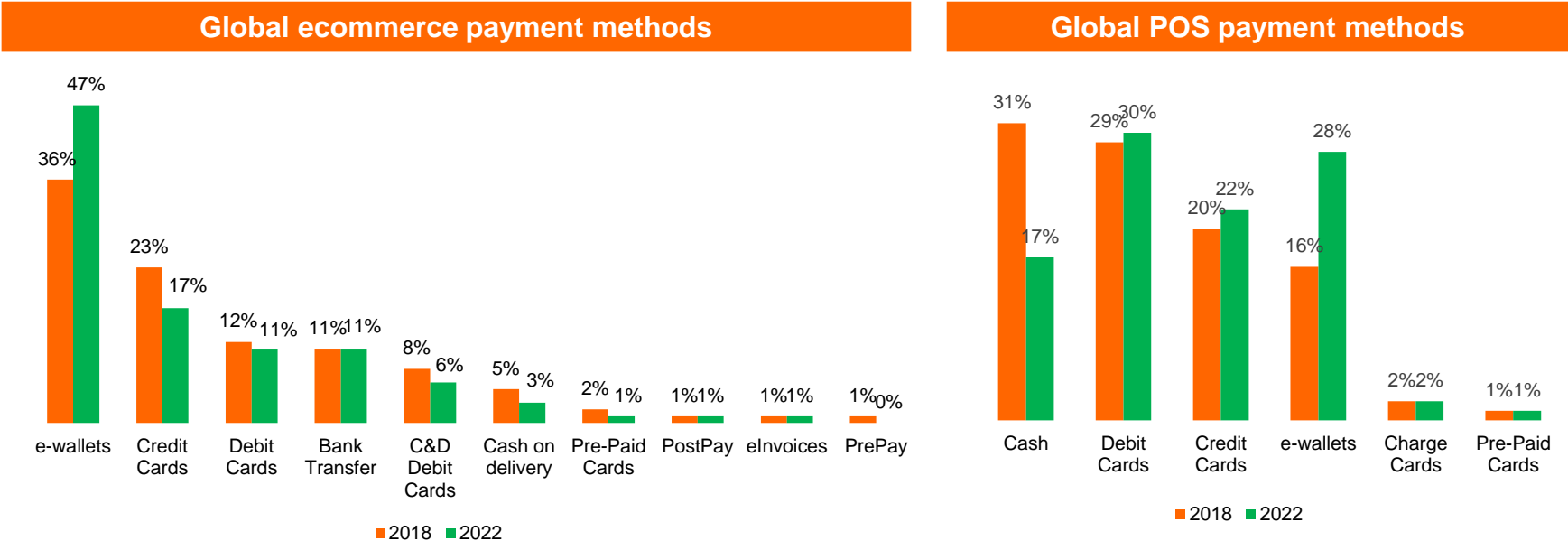
36.4% CAGR

- 2015A: $1.6
- 2016A: $2.2
- 2017A: $3.1
- 2018E: $4.3
- 2019E: $6.1
- 2020E: $9.0
- 2021E: $11.1
- 2022E: $14.0

Global ecommerce sales (*$tn*) and ecommerce penetration (*%*)

Year	E-commerce Sales	Penetration
2015A	$1.5	7.4%
2016A	$1.8	8.6%
2017A	$2.3	10.2%
2018A	$2.8	11.9%
2019E	$3.5	13.9%
2020E	$4.1	15.5%
2021E	$4.9	17.5%

■ Global E-commerce Sales   ●— Global E-commerce Penetration

- Ecommerce grew 21.7% in 2018 and currently commands 11.9% of total retail sales, outpacing global retail growth of 5.8% by a significant margin

- Rising consumer and retailer expectations for seamless and insight-driving payment processing is giving rise to a breed of next-generation payment technologies

- Thus, next-generation fintech companies are growing faster than ecommerce as a whole, commanding 38.7% growth in 2018 while projecting a 36.4% CAGR from 2015 to 2022

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Source: Statista Estimates; Global Market Insights; Braintree, 2018 Global Payments Report

1 Retail and ecommerce competition driving consumer adoption of alternative payments technologies

E-Wallets expected to become the leading payment method in the future – both for eCommerce and at POS

Global ecommerce payment methods

Global ecommerce payment methods chart (2018 vs 2022):
- e-wallets: 36% / 47%
- Credit Cards: 23% / 17%
- Debit Cards: 12% / 11%
- Bank Transfer: 11% / 11%
- C&D Debit Cards: 8% / 6%
- Cash on delivery: 5% / 3%
- Pre-Paid Cards: 2% / 1%
- PostPay: 1% / 1%
- eInvoices: 1% / 1%
- PrePay: 1% / 0%

Global POS payment methods

Global POS payment methods chart (2018 vs 2022):
- Cash: 31% / 17%
- Debit Cards: 29% / 30%
- Credit Cards: 20% / 22%
- e-wallets: 16% / 28%
- Charge Cards: 2% / 2%
- Pre-Paid Cards: 1% / 1%

■ 2018 ■ 2022

- **E-wallets gaining momentum:** Due to high convenience and multiple security layers like encryption, tokenization, and mobile device authentication, e-wallets are gaining popularity over other methods
  - The share of e-wallets among global ecommerce payment methods is expected to increase from 2018 to 2022, compared to the declining usage of cards
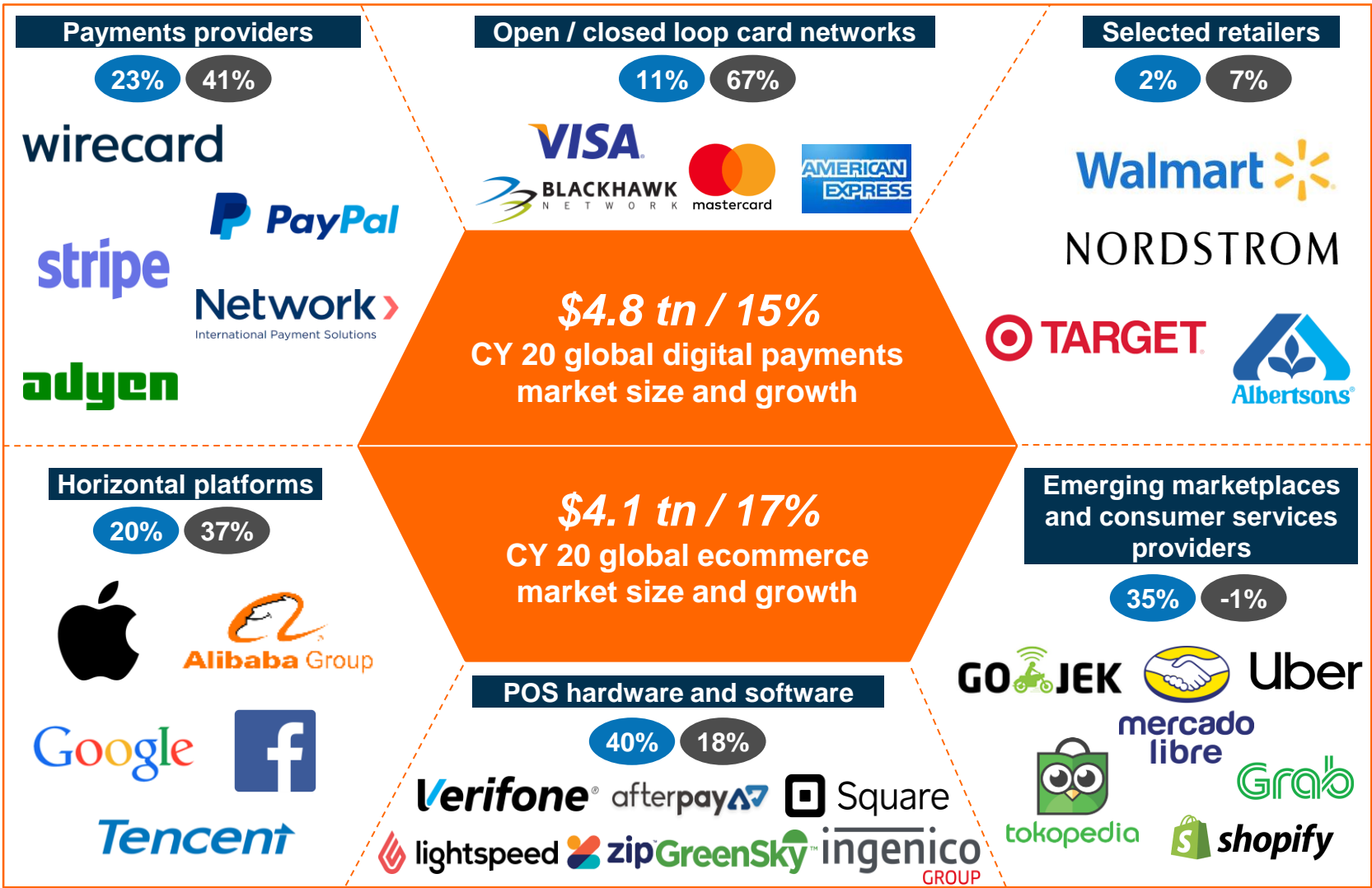
- Alternative Payment Methods (APMs) are achieving hypergrowth aided by higher smartphone and internet penetration in underbanked emerging markets
  - APMs are evolving to meet rising consumer expectations online. Popular APMs include e-wallets and bank transfers

Alternatives to credit and debit cards now account for more than half of ecommerce transaction volume

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2 Multiple groups of incumbents seeking to expand their share of payments volumes
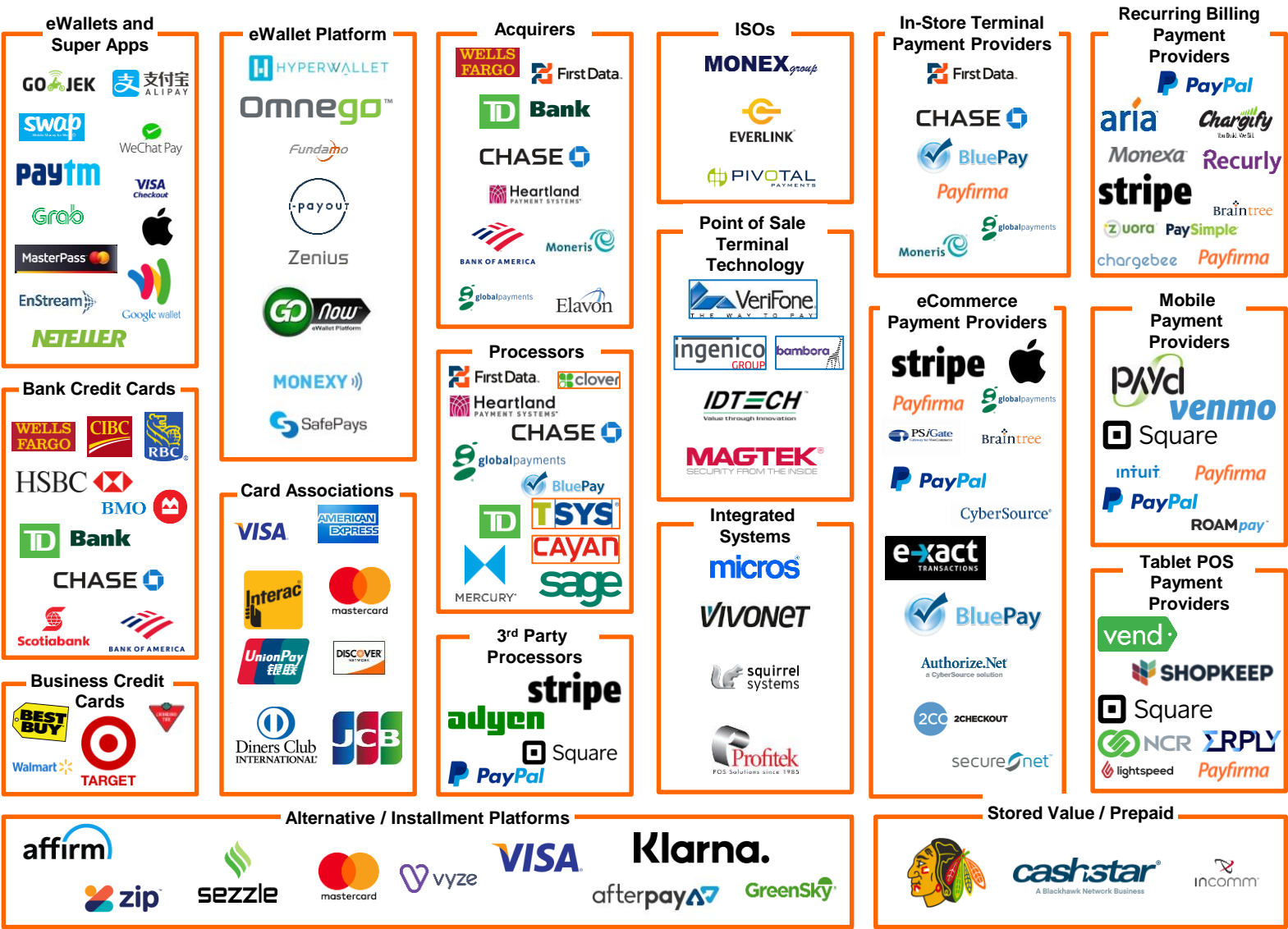
CY '20/'19 YoY growth

CY '20 EBITDA margin

Payments providers
23% **41%**

wirecard
PayPal
stripe
Network International Payment Solutions
adyen

Open / closed loop card networks
11% **67%**

VISA
BLACKHAWK NETWORK
mastercard
AMERICAN EXPRESS

Selected retailers
2% **7%**

Walmart
NORDSTROM
TARGET
Albertsons

$4.8 tn / 15%
CY 20 global digital payments market size and growth

$4.1 tn / 17%
CY 20 global ecommerce market size and growth

Horizontal platforms
20% **37%**

Apple
Alibaba Group
Google
f
Tencent

POS hardware and software
40% **18%**

Verifone afterpay Square
lightspeed zip GreenSky ingenico GROUP

Emerging marketplaces and consumer services providers
35% **-1%**

GO JEK **Uber**
mercado libre
tokopedia **Grab**
shopify

Source: Capital IQ, ComCap Analysis | Market data as of 7/11/2019, Statista, Research and Markets
Note: CY'20 YoY growth and EBITDA margins are rounded to the nearest whole percentage point

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② Evolving payment forms are having direct implications on how merchants think about their future payment needs…

Implications for merchants

Digitized merchant channels	Integrated physical and digital channels	Participation in marketplaces and platforms	Participation in global commerce	Frictionless merchant experiences
▪ Digital channels emerging for traditional "offline" experience ▪ 60% of restaurant goers have 1+ restaurant app ▪ Nearly 2/3 of restaurant goers are enrolled in 1+ loyalty program ▪ 60% of Domino Pizza orders originated through Domino app	▪ Small and large retailers increasingly seek integrated experiences as consumers oscillate between channels (e.g., search online, try online, buy online, pick-up offline, return by package)	▪ More than half of US ecommerce sales take place through marketplaces ▪ Marketplaces offer SMBs and brands an attractive way to access consumers with no fixed costs and significant value-add ▪ Marketplaces facilitate payments, each often having differing payment terms	▪ Cross-border commerce growing rapidly: 23% CAGR from 2017 to 2020F (+$400B) ▪ Payment methods differ significantly by country (e.g., in the Netherlands, the majority of consumers pay with iDEAL, a local payment method)	▪ Leading players are winning by offering frictionless and seamless experiences, going beyond just selling products ▪ This required integrated payment capability and complex escrow/disbursement capabilities

Digital (pre)ordering — In-dashboard payments

Walmart / Jet / Amazon / Whole Foods — $3B acquisition in 2016 / $14B acquisition in 2017

amazon / Alibaba.com / Etsy / Rakuten / ebay

Global payment methods — SOFORT BANKING / Klarna / iDEAL / Przelewy24 / OXXO

Driving and food / Holidays and experiences (airbnb) / Furniture and deliveries

Source: ATKearney

❷ …which are being serviced by leading Fintech companies

eWallets and Super Apps

eWallet Platform

Acquirers

ISOs

In-Store Terminal Payment Providers

Recurring Billing Payment Providers

Bank Credit Cards

Card Associations

Point of Sale Terminal Technology

Processors

eCommerce Payment Providers

Mobile Payment Providers

Business Credit Cards

Integrated Systems

3rd Party Processors

Tablet POS Payment Providers

Alternative / Installment Platforms

Stored Value / Prepaid

Processors moving further into POS

POS technology players expanding into omnichannel and merchant suites

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Online retail and offline retailers each seeking to leverage fintech to capture share and drive consumer engagement

Online retailers are fueling growth through fintech innovation, capitalizing on their large userbases to scale more quickly and effectively

Traditional retailers are also reacting to the fintech revolution by incorporating technologies in-store

- Ecommerce majors are using digital wallets and payment processing services to provide additional offerings and accelerate the checkout process for both retailers and consumers

- "Super apps" such as Go Jek, Grab, and Uber are utilizing closed-loop digital wallets in order to capture additional data on customer transactions and increase customer loyalty

- Payment majors are looking to go in-store to expand their market share by providing value-added merchant services through both software and hardware

- Loyalty players are transforming in-store customer engagement through rewards programs

- In-store checkout options are becoming faster through automation

- Alternative / installment merchant lending platforms increase in-store traffic and promote additional transactions

Next-gen fintech companies are disrupting retail both online and in-store

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Online retailers are fueling growth through fintech innovations

# Global online retailers and emerging "super apps" each seeking to offer open payments ecosystems

A

Global online retailers

Ecommerce majors are using digital wallets and payment processing services to provide additional offerings and accelerate the checkout process for both retailers and consumers

shopify

ebay

JD.COM

Apple

mercado libre

Alibaba.com

B

Super apps

"Super apps" such as Go Jek, Grab, and Uber are utilizing closed-loop digital wallets in order to capture additional data on customer transactions and increase customer loyalty

GO JEK

WeChat

Grab

Uber

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③ Ⓐ Global online retailers are focusing on digital wallets and payment processing services

Company	Location	Key Statistics	Payment strategy
shopify	🇨🇦	2018: TPV: $16.5 bn GMV: $41.1 bn	▪ Shopify Payments allows merchants to sell in multiple currencies and receive payments in their local currency ▪ Shopify Payments was introduced in the US and Canada in 2013, and has been expanding into additional geographies in recent years
🍎	🇺🇸	2018: 383m worldwide users (135% growth YoY)	▪ Apple Pay, Apple's digital wallet, is currently used in 27 markets around the world and will be available in more than 40 countries by the end of 2019. It is on track to process more than 10 billion transactions in 2019 ▪ Recently launched a credit card dubbed Apple Card. Key features: simple application, no fees, lower interest rate and compelling rewards program
ebay	🇺🇸	2018: GMV: Over $94.5bn (8.97% avg take rate)	▪ In 2019, eBay announced plans for the next two years to make its own payment system, tracking the customer relationship from product discovery to checkout in order to simplify transactions
mercado libre	🇦🇷	2018: GMV: $12.5bn Total TPV: $12.16 bn	▪ Mercado Pago is a powerful disruptive provider of inclusive financial technology solutions for merchants on Mercado Libre ▪ A growing number of ecommerce sites and brick-and-mortar retailers are adopt MercadoPago as a preferred payment method
JD.COM	🇨🇳	2018 GMV: $243.9 bn	▪ In 2019, the company partnered with Thai retail conglomerate The Central Group to launch a digital wallet platform ▪ JD Finance spun off from JD.com and is now seeking a domestic IPO along with additional financial licenses
Alibaba.com	🇨🇳	2019: GMV: RMB 5,727 bn	▪ Ant Financial operates Alipay, the most widely used third-party online payment service provider in China ▪ Alipay allows customers to conduct transactions directly from their mobile devices, and is available in 70 markets worldwide

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Source: Various news articles and Annual Reports

3

A

Ecommerce leaders are using digital wallets as growth engines

▪ *Almost all of the leading / emerging leaders of e-wallets in every major market are promoted by a major eCommerce retailer / marketplace*

▪ *Convenient payment options and generous rewards / cashbacks are a key part of their growth strategies, especially in the emerging markets, where these companies are looking to grab the highest market share possible*

Source: CB Insights report "2019 FinTech Trends to Watch"
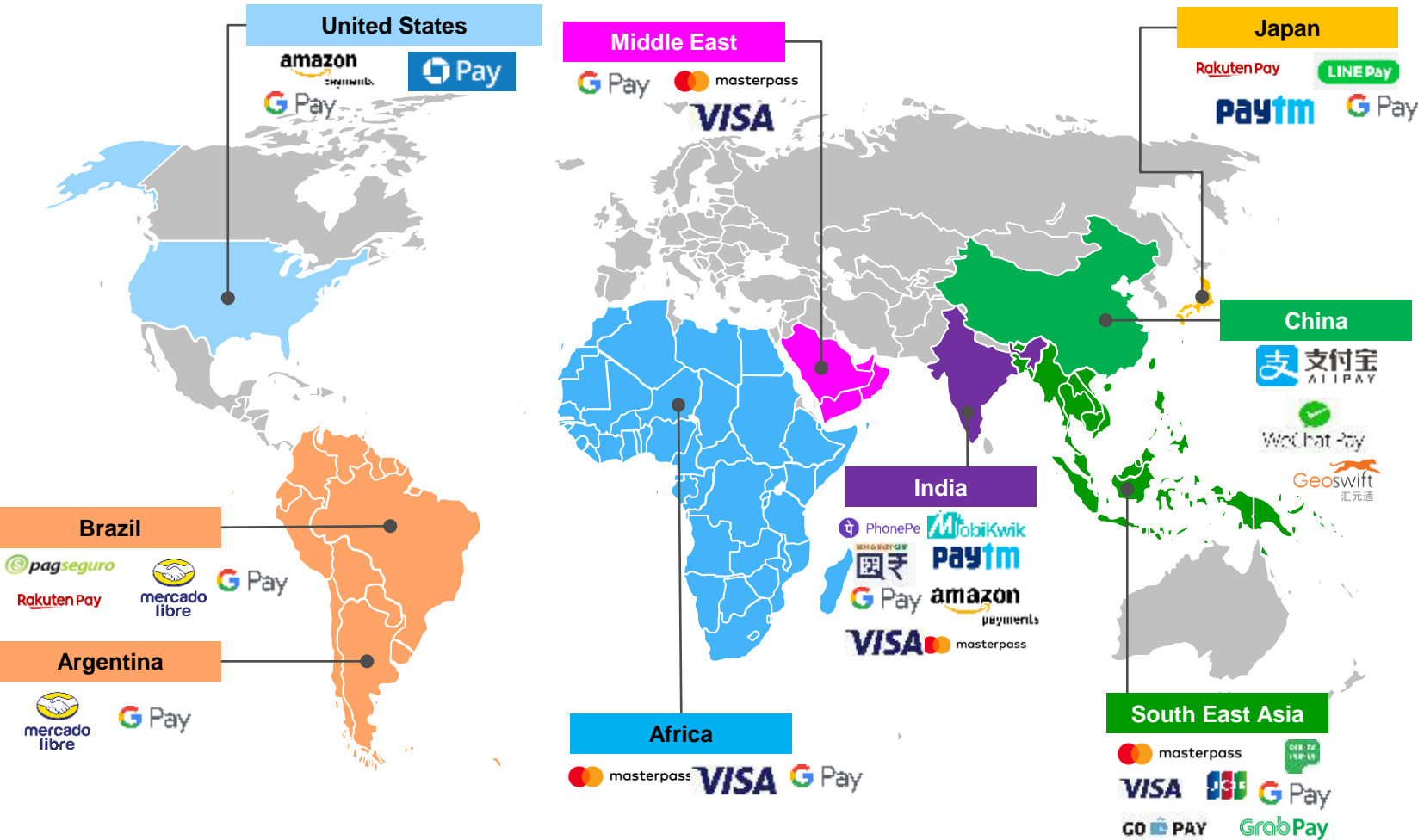
3
A

Apple Pay offers an array of features to accelerate the consumer payment process

Apple Pay and Apple Card offer additional payment processing services and revolutionize credit card payments

Overview

*"Apple Pay **transaction volume more than doubled** year-over-year, and we are **on track to reach 10 billion transactions** this calendar year"*

- Tim Cook, Apple CEO

Apple Pay overview

- **Service Description:** Apple Pay is a cashless payment service available in certain countries that offers an easy, secure, and private way to pay

- **Features:** Apple Pay includes NFC integration and a touch ID-protected security system

- **Availability:** available in over a dozen countries and accepted at millions of locations in the U.S, available both online and offline

- **Users:** 383m users worldwide
  - 43% reach among global iPhone users
  - 18.3% use Apple Pay at every transaction where it is available

Advantages of Apple Pay

Advantages:

- Global reach: Usage in 27 countries (40 at the end of 2019)

- Accepts contactless payments

- Accepts credit & debit cards across major card networks

- Apple Pay Cash supports P2P payments

- Works with NFC terminals, in-app purchases and web purchases in Safari

- In March 2019, Apple introduced Apple Card, an alternative card aimed to lower interest rates and provide rewards, partnering with Goldman Sachs and Mastercard

Apple's strategy on payments initiatives started with in-app purchases and evolved over time

③
Ⓐ

iTunes Store was launched in 2003 to provide a virtual store where people could buy and download digital music on-demand

The service was announced at Apple's iPhone 6 event on September 9

In May, Apple Pay expanded its services to major Canadian banks

In March, ExxonMobil officially launched Apple Pay support, letting customers pay for gas or car washes directly from their iPhone

In April, Apple Pay was launched in Brazil after partnering with Itaú

2001 — 2013 — 2014 — 2015 — 2016 — 2017 — 2018 — 2019

Apple partnered with American Express, MasterCard and Visa to develop Apple Pay

Apply Pay partners with major UK and Chinese banks

ANZ released an instant provisioning service with Apple Pay in Australia, introducing instant card replacements for digital wallet users

In March, Apple introduced Apple Card, an alternative card aimed to lower interest rates and provide rewards, partnering with Goldman Sachs and Mastercard

Source: The New York Times, BBC.com, The Verge, Fortune, CNET, ZDNet

Other closed-loop digital wallets going open to compete with card schemes and capture more share

4
B

Closed-loop vs. open-loop digital wallets

	Closed-loop wallets	**Open-loop wallets**
Definition	• Digital wallets that enable customers to load money into a spending account linked to a payment device	• Digital wallets that allow users to pay at multiple locations from one centralized digital wallet
Pros	• Aggregates customer data for further analysis • Lower merchant costs through internal payments • Increases customer loyalty • Provides customers with customized and efficient shopping experiences	• Convenience and openness for end-users
Cons	• Multi-platform payment process lowers efficiency	• Little to no value added for merchants

Uber Cash

- Launched in 2018, Uber Cash provides a closed-loop payment network that lets customers add funds to their stored value accounts

- Uber Cash accepts multiple forms of payment (including Uber gift card) and can be used to pay across the Uber ecosystem

- **Closed-loop wallets enable Uber to formalize payments, provide customers with advanced Uber incentives, and expand its ecosystem**

Go-Pay
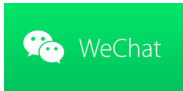
- Go-Pay, the digital payment unit of Go-Jek, is a market leader in the e-wallet space

- As a closed-loop wallet of Go-Jek, Go-Pay can be used for in-app purchases of goods and services or with partner merchants

- **With the additional customer data it acquires, Go-Pay is able to expand its focus on tertiary payments to enable more primary payments through its services**

Source: Various news articles and company websites

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"Super apps" are strengthening their market leadership by adding payment capabilities

4 **B**

Company	Location	Key Statistics	Payment strategy
GO JEK	(Indonesia flag)	GMV: $6.7bn	▪ GOJEK's mobile wallet, Go-Pay, is planning to "strengthen and deepen" its position in the Indonesian electronic payment market ▪ In July 2019, GOJEK partnered with LinkAja to expand its digital wallet offerings ▪ GoJEK is expanding its presence in Southeast Asia through acquiring Coins.ph, a Philippines-based mobile wallet company, for $72m
Grab	(Singapore flag)	Grab Financial: 60,000 merchants+	▪ In June 2019, Grab partnered with GovTech for MyInfo integration to create a safer and more secure e-wallet with new user verification features ▪ In March 2019, GrabPay launched new online checkout capabilities, extending beyond traditional in-store POS options
WeChat	(China flag)	Active users 1.12 bn out of which 800 million use the payment system Daily transaction volume: Over 1bn	▪ WeChat Pay plans to expand its presence in Europe, and has already partnered with a number of popular vendors for Chinese visitors ▪ WeChat Pay has plans to expand into additional markets and to ease the payment process for its customers
Uber	(USA flag)	2018: Gross bookings: $50bn across all platforms Monthly active users: 93 million	▪ In 2018, Uber Cash was launched to extend its power in payments, and to build out its growing commerce and payments ecosystem. ▪ Uber Cash is a closed-loop payment network that lets consumers easily add funds to its stored value account ▪ Uber Cash also allows users to earn more rewards ▪ Uber /BBVA to provide Debit cards for un(der) banked drivers in Mexico

The bridge to in-store: Shopify is offering both online and offline services to merchants

Shopify's payments revenues is growing substantially and accounts for nearly half of total revenues

Overview
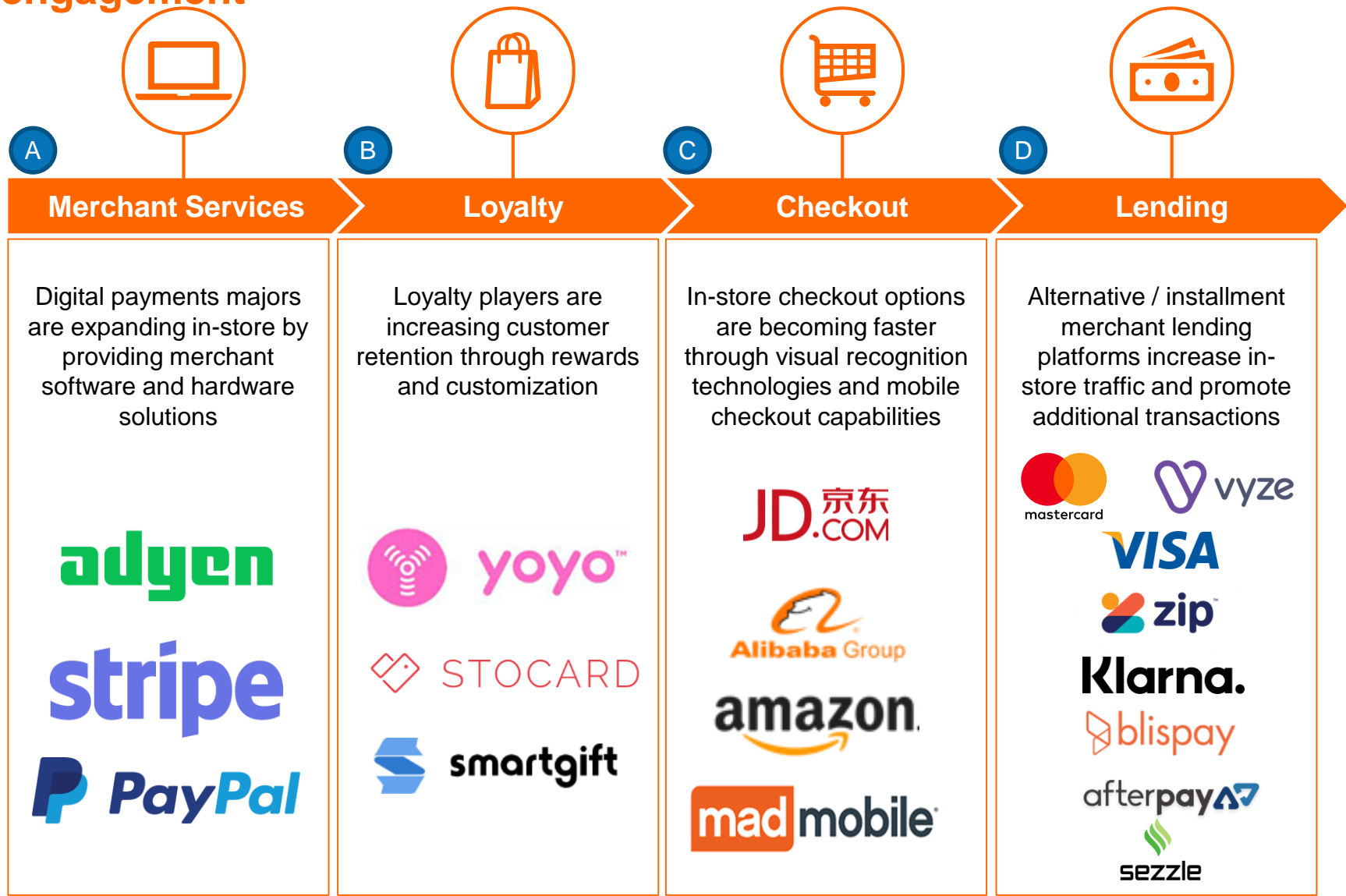
shopify payments
powered by **stripe**

"What we're trying to do is create as little friction as possible in the checkout for our merchants. What we realized is with so many buyers across all the Shopify stores, we do actually have some ways that we can help our merchants capture more sales, and that's by allowing these consumers to opt in to Shopify Pay."

– Harley Finkelstein, Shopify COO, Q1 2019 Earnings Call

Metrics

- **Description:** Shopify Inc. provides a cloud-based multi-channel commerce platform for small and medium-sized businesses

- **Founded:** 1998
- **Headquarters:** Ottawa, ON
- **Employees:** >4,000

- **Locations:** United States, Canada, United Kingdom, Australia, Ireland, New Zealand and Singapore

- **Merchant Solutions Revenues:**
    - 1Q2019: US$180m (56% of total)
    - 2018: US$608.2m (57% of total)

Shopify Payments

- **Shopify Payments:** Shopify Payments is a fully integrated payment processing service that allows merchants to accept and process payment cards online and offline, driving higher merchant retention

- It was introduced in the US and Canada in 2013, and have been expanding into additional geographies

- Over two-thirds of Shopify merchants have enabled Shopify Payments

- **TPV processed:**
    - 1Q2019: US$4.9bn (+63% YoY)
    - 2018: US$16.5b (+67% YoY)

Shopify POS

- **Shopify POS:** In April 2019 Shopify launched a new retail hardware collection that includes a tap and chip reader, dock, and retail stand.

- Shopify POS is designed to deliver an unmatched shopping experience by servicing merchant and consumer needs

- More than 100,000 retailers were using Shopify POS in June 2019

- Shopify POS can be used worldwide, and is available on Shopify Hardware Store in the US, Canada, UK, and Ireland

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Source: Capital IQ, Company 10-K and website

Fintech is becoming an integral part of the in-store retail experience

In-store fintech focused on eliminating friction, consumer engagement

A Merchant Services	B Loyalty	C Checkout	D Lending
Digital payments majors are expanding in-store by providing merchant software and hardware solutions	Loyalty players are increasing customer retention through rewards and customization	In-store checkout options are becoming faster through visual recognition technologies and mobile checkout capabilities	Alternative / installment merchant lending platforms increase in-store traffic and promote additional transactions

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5

A

Payments majors are moving from online to in-store

adyen

- **Countertop POS:**
  - o Smart beacon and Bluetooth-enabled devices with large touch-screen displays for ease of use, with built-in audio for media advertising

- **Multimedia POS:**
  - o Impact, insights and two-way interactions with a single screen for the customer and cashier
  - o Displays line items as scanned, larger screen for easy signature capture
  - o Fully customizable with rich media advertising, screen branding, etc.

- **Portable POS:**
  - o Handheld pocket-sized mobile POS
  - o Charging base system for battery top-ups throughout the day.

(€M)	Capex	TPV	CapEx/TPV % bps
2014	3.4	25,000.0	1.4
2015	5.2	50,000.0	1.0
2016	10.5	90,000.0	1.2
2017	9.7	122,492.0	0.8
2018	11.0	179,670.0	0.6

stripe

- **API integration:**
  - o Provides APIs that web developers can use to integrate payment processing into their websites and mobile applications

- **Issuing:**
  - o In July 2018, Stripe began a platform for companies to issue Mastercard and Visa credit cards

- **POS Terminal:**
  - o In September 2018 Stripe announced this new POS solution, as an invite-only beta. The service offers physical credit card readers designed to work with Stripe
  - o In June 2019, Stripe made Terminal available to all U.S. users, ending the product's beta testing phase
  - o In March 2018 Index was acquired by Stripe to bring personalization and measurement of online commerce to the offline world and boost Strip's in-store POS capabilities

- **Funding:** TAM $785m

PayPal

- **Online transactional services:**
  - o PayPal enables users to transact through multiple channels without sharing critical identifying information

- **Cards:**
  - o PayPal has a longstanding partnership with Mastercard to provide alternative prepaid credit cards to its customers

- **POS:**
  - o PayPal partners with various POS providers like Vend, Lavu, and Touchpoint to provide in-store solutions

- **In-store:**
  - o It acquired iZettle in May 2018 for $2.2bn, to improve and amplify its off-line (in-store) payments solutions

($M)	Capex	TPV	CapEx/TPV % bps
2014	492.0	235,640.0	20.9
2015	722.0	281,760.0	25.6
2016	669.0	355,380.0	18.8
2017	967.0	456,180.0	21.2
2018	823.0	578,420.0	14.2

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Source: Company Websites and Capital IQ

⑥ Ⓑ Retailers are inspiring loyalty through customer engagement and incentive programs

- Businesses can retain customers through loyalty programs that offer benefits such as rewards and discounts

- 63% of consumers prefer vendors who offer loyalty programs over those with no loyalty programs

- 46% of consumers are willing to switch vendors in order to maximize loyalty benefits
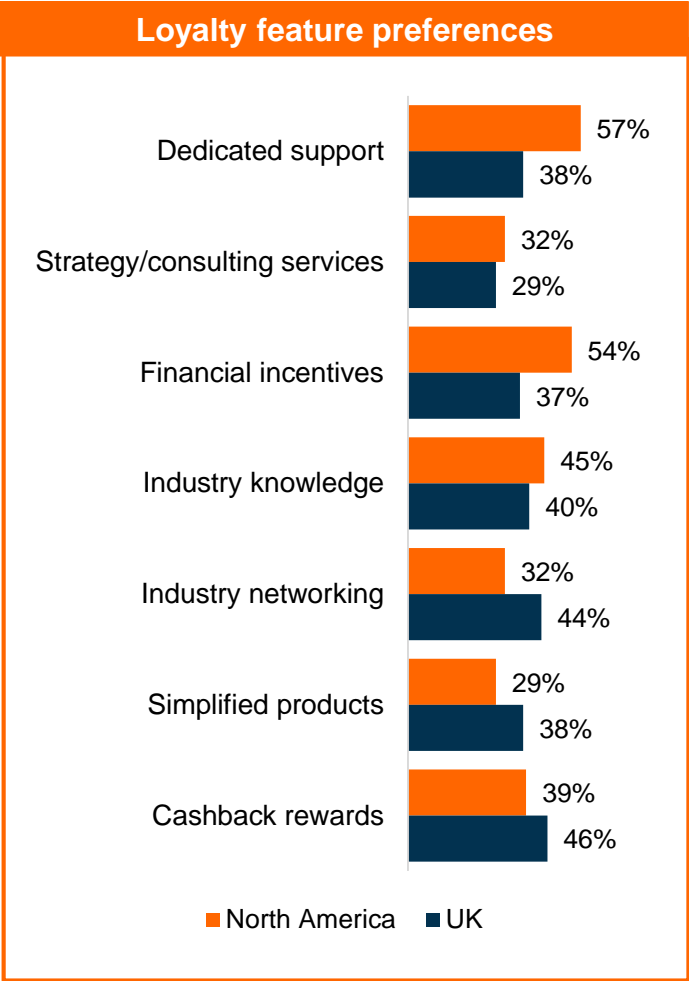
➤ **Customization tailored to consumers**
- *Retailers personalize website / mobile app to fit consumer needs*

➤ **Attractive rewards**
- *Tiered incentives further promote loyalty*
- *Transaction-based discounts provide exclusive perks to high-value customers*
- *Referral codes allow customers to reap rewards while simultaneously introducing companies to new business*

➤ **High customer engagement**
- *Member-only events attract customers*
- *Companies feature customer profiles in marketing content*
- *Transparent practices and prices help earn consumer trust*

Loyalty feature preferences

Feature	North America	UK
Dedicated support	57%	38%
Strategy/consulting services	32%	29%
Financial incentives	54%	37%
Industry knowledge	45%	40%
Industry networking	32%	44%
Simplified products	29%	38%
Cashback rewards	39%	46%

■ North America ■ UK

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Source: News articles, Merkle B2B Loyalty Report, July 2017

6 B In-store: loyalty-inspiring mobile wallets are providing benefits for both retailers and consumers

STOCARD

Loyalty cards aggregation app

➢ **For App Users**

- Stocard allows users to receive discounts and rewards similar to traditional loyalty cards
- Allows users to store all their loyalty cards in a single app on their smartphone, acting as a digital copy
- Promotes convenient access through sorting features
- The app displays current rewards points balance, nearby store locations, coupons, and personalized offers
- >35 million users worldwide

➢ **For Merchants**

- Helps improve footfall by showing merchant offers in the Stocard app
- Provides analytics to measure a campaign's ROI
- Tracks in-store purchases to build targeted campaigns

yoyo

Mobile and loyalty points app

➢ **For App Users**

- Digital loyalty points aggregator and mobile e-wallet
- Shoppers can make payments and also gather reward points from various merchant loyalty programs
- Uses QR code scans to combine mobile payment, digital receipt collection, and loyalty reward points
- With each purchase, shoppers receive new personalized offers based on prior shopping behavior
- In July 2018, it crossed the 1 million user mark, making it one of the fastest growing FinTech startups in Europe

➢ **For Merchants**

- Marketing platform for retailers to enhance digital customer engagement in-store.
- Identifies the shopper in-store and enables merchants to offer personalized service based on prior shopping data
- Offers white-labeled apps and APIs for merchants to build their own branded loyalty apps

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6 **B** Online: innovative data-driven personalization applications are inspiring loyalty in customers

Opportunity

- Expanding reach into adjacent digital first markets

- Combining strong retail and business partnerships with new technologies and customer experiences

- Innovating the commerce, loyalty and rewards product offering and providing more value to clients

- Offering unique product level purchase behavior and consumer preference data

- Personalizing one-to-one marketing to the consumer and creating repeat engagement

Innovation spotlight: smartgift

Company overview:

- Launched in 2015 in New York www.smartgiftit.com

- Fast growing commerce tech company in the shopping-for-others/gifting/loyalty space

- Nearly thirty marquee brands including B&H, Under Armour, TUMI, EXPRESS, Tory Burch, Theory, Kipling, Cole Haan, Waterford, Chico's, 1-800 Flowers' family of brands

- Top innovation team—global top honors at the MMA's Annual Smarties Awards in mobile commerce and payments, as well as Gift Card Innovation Award

Highlights:

- Strong market momentum and growth

- Unique customer preference insights— GiftGenome™

- Personalized marketing and shopping

- 1.5M+ SKUs from leading brands across verticals

- Platform agnostic experience layer— requires days not months to implement

- Expansion into business applications— customer retention, employee retention and rewards, appreciating/reactivating loyal customers, sales account management, personalized event goody bags

Data driven personalization:
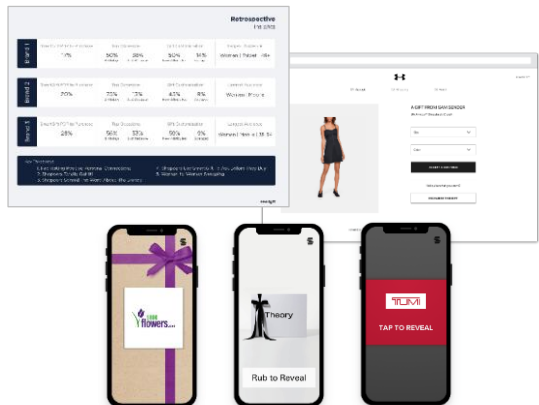
"SmartGift helps us intelligently augment the outcome for our customers"

- Amit Shah, CMO, 1-800-Flowers.com

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7 **C** Ecommerce leaders are innovating in-store, led by expedited checkout technology

	"Take" technology	**"Cloud shelves" technology**	**"Just Walk Out Technology"**
Display	• Leverages big data to choose most relevant products according to customer persona	• Sensor-triggered displays that play product demos every time someone picks up an item • Smart "magic" try on mirrors and smart purchase machines	• No Smart Display • Smart movement ceiling cameras and shelf sensors to auto identify customers, track their movements in-store, and detect the objects picked up
Entrance	• Facial recognition technology and image recognition technology identifying customers and recording payments	• Scan QR code on Taobao app at entrance to acquire entrance code • Biometric self-perception with unique Taobao ID	• Customers need an Amazon account, smartphone and the Amazon Go app and can scan a QR code at the entrance to open aisle gates
Shopping	• Smart shelf technology and RFID technology proprietary by JD.com	• Established Hema, a new convenience-store concept, where customers can use a mobile app to seamlessly shop both online and offline	• Every item that customers pick off the shelves is added to a "virtual" shopping cart on the Amazon Go app
Checkout	• In-house visual recognition technology for automatic checkouts	• Payments are done in a booth, where the customer shows his face and pays cashless and contact-free. Customers can also pay via the Alipay wallet	• Customers can pick up any item on the shelves, walk out of the store, and are billed later via the app

7 **C** Retailers are evolving beyond the card: mobile checkout is growing at a noticeable rate

Proximity mobile payment transaction value in the United States from 2015 to 2021 (in billions USD)

- 2018: $78.1
- 2019: $113.8
- 2020: $153.3
- 2021: $190.0
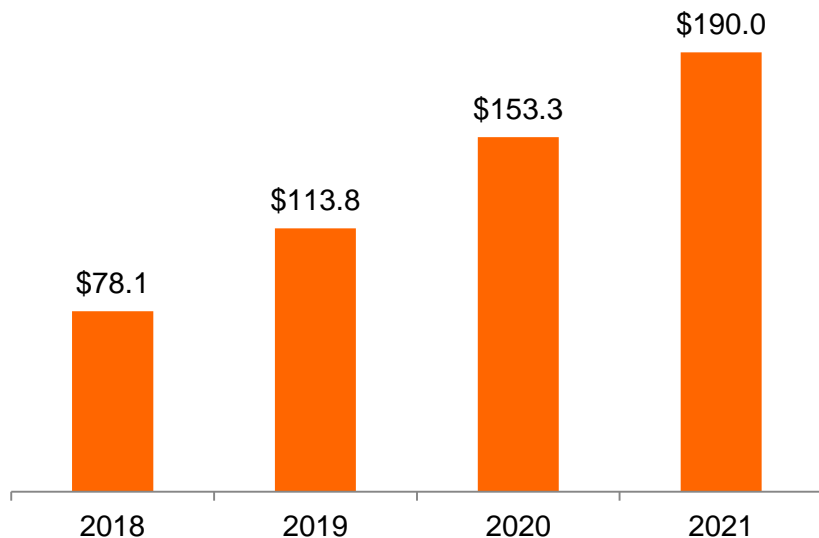
Mad Mobile: enabling retail store associates with clienteling, assisted selling, and mPOS capabilities
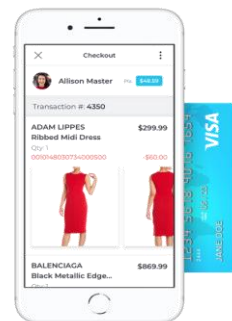
"The mobile transaction numbers have far exceeded our expectations."
- Larry Mentzer, Chief Revenue Officer at Century 21

"Great product with solid focus on UI for a retail associate."
- Jeff Rohr, CIO Helzberg Diamonds

"Concierge is the tool enabling us to get our strategic customer engagement initiatives across the finish line."
- Patrick Walsh, Talbots EVP of Sales

- As an alternative to traditional card transactions, mobile payments are becoming increasingly popular, growing at a 58.4% growth rate in 2018 and sporting a 64% 6-year CAGR

- Barcode / QR code scanning is the most common in-store mobile payment method, followed by waving or tapping the mobile phone to pay at check out

- Industry experts project mobile proximity payments to be amongst the most successful future mobile payment methods

Alternative options such as proximity mobile payments are becoming more prevalent as consumers look to expedite the checkout process

⑧ Ⓓ Alternative lending is disrupting legacy credit-based banking methods…

- Data driven underwriting is transforming the industry, giving rise to alternative lending

- Merchant and consumer lending are becoming standardized for non-traditional lending players

- Fintechs are leveraging non-lending (payments) data to accelerate acquisition and underwriting with lower costs

- Fintech-enabled underwriting leverages consumer spending patterns and traditional income assessment methods

- PayPal and Square, two of the largest companies in this sector, have used customer data to lend >$5 billion since 2015 and 2018, respectively

Fintech-based lending market share (US)

Bar chart values:
- 2010: 1%
- 2012: 4%
- 2017: 30%

Key lending disruptors

SoFi, GreenSky, credit karma, CREDIBLY, konfio, AVANT, progressa, earnest, FAIRSQUARE FINANCIAL, PAYJOY, Kabbage, creditas, upgrade, lendingtree
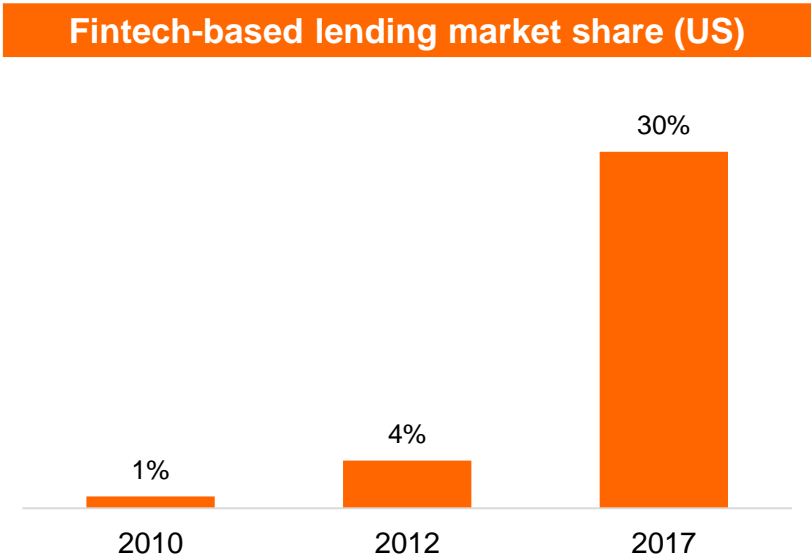
Alternative lending advantages

- Fewer and more flexible terms than those offered by traditional banks

- Faster loan processing relative to banks

- Digital lending mechanisms lead to better security

- Easily scalable

- Better risk management through big data analytics

- Lower cost models due to automation

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Source: News Articles

8 **D** **…allowing merchants to offer alternative payment methods for their consumers at the point of sale**

Alternative / Installment lending features

Provides access to multiple lenders usually behind primary credit providers	Applying for financing through a simple, online application	Seamlessly integrating with multiple lenders through the entire application process

Merchant lending offers consumers additional ways to pay, increasing total transaction volume for both retailers and fintech companies

Conclusions

Fintech is rapidly evolving to meet rising commerce demands

- As the age of digitalization continues, next-generation fintech is evolving alongside ecommerce to provide quicker and more efficient payment processes to both retailers and consumers
  - Alternative payment methods (APMs) such as digital wallets are key drivers in the payment acceleration narrative

Online retailers are using fintech innovation to leverage their userbase

- Ecommerce majors are using digital wallets and payment processing services to provide additional offerings and accelerate the checkout process for both retailers and consumers
  - "Super apps" such as Go Jek, Grab, and Uber are utilizing closed-loop digital wallets in order to capture additional data on customer transactions and increase customer loyalty

Brick and mortar retailers are adopting technology in-store

- Traditional retailers are also reacting to the fintech revolution by incorporating technologies in-store
  - Areas of focus include software and hardware for merchant services, loyalty technology, faster checkout options, and merchant lending

Overall, the future of retail will rely heavily on financial technology: retailers will require efficient and impactful payments capabilities in order to thrive

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Location Intelligence Market Summary – 2H 2019

https://bit.ly/32l2LBB

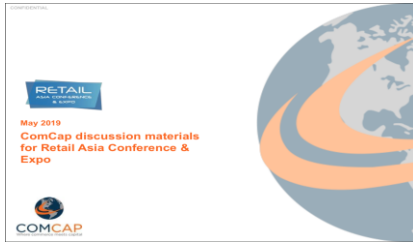**Conference Guide to Shoptalk 2019**

https://bit.ly/2vgaD88

Retail Associate Perspectives – 2H 2019

https://bit.ly/2G1GdvU

Discussion Materials for Retail Asia Conference & Expo 2019

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DOMS Perspectives – 2H 2019

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