



Payments Trends, Risks & Opportunities

NACS North American CEO Strategic Issues Summit

April 25, 2023

MARIO de ARMAS

WALMART GLOBAL TREASURY

Senior Director of International Payments & Financial Services

**So much noise
in the news
about
payments,
how do you
know what to
focus on?**

Cryptocurrencies

Fin Techs

Buy Now, Pay Later

Digital Wallets

Central Bank Digital Currencies



#1 Biggest Risk

No Payments
Strategy

Why do payments matter to your business?

**Every successful customer interaction ends with...
a payment**

Why is having a payments strategy important?

1

Networks and banks
all have strategies

2

Your costs are
increasing

3

Customers prefer
digital experiences

#1 Biggest
Opportunity

Government
Engagement

Engage Federal Regulators

DOJ probing Visa on U.S. debit card practices, competition

Reuters



Fed proposes review of debit transaction routing, but leaves fee alone

The Fed will review whether a rule requiring options in routing debit transactions is being followed, but angered merchants when it kept the cost basis for a national debit fee cap unchanged.

Published May 13, 2021

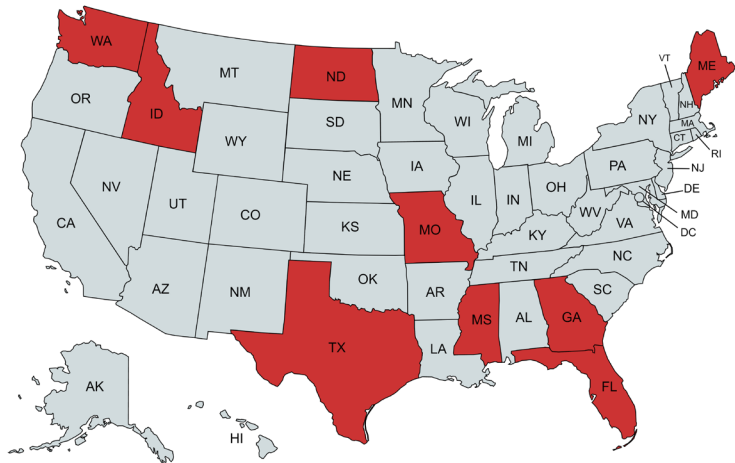


Lynne Marek
Lead Editor

in f t p e



State Interchange Bills



NACS is here to help



#2 Biggest Risk

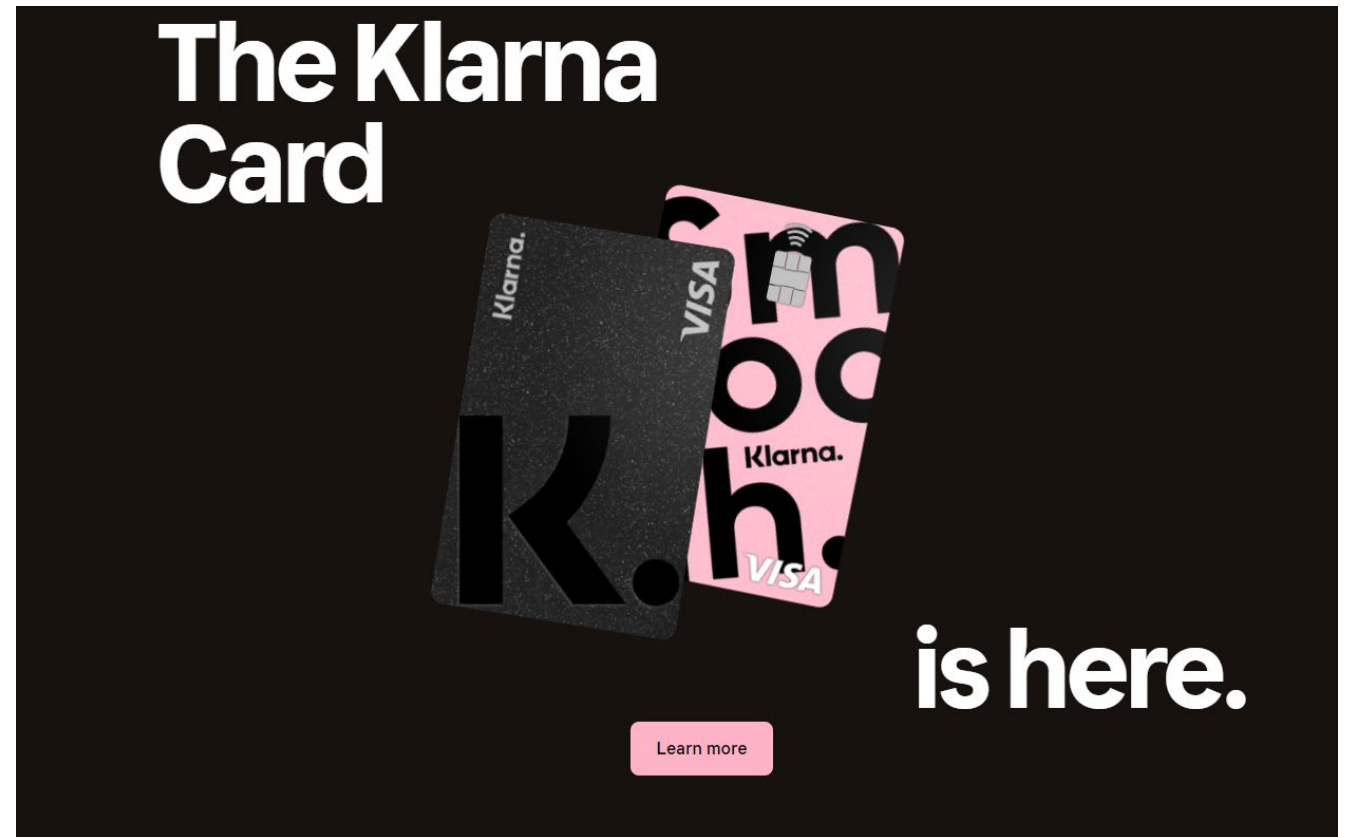
**BNPL &
Installments**

Are you thinking BNPL doesn't
apply to *your* business? 🙄



BNPL and merchant-funded installments do apply to your business.

Hello Klarna. 🤝



The Klarna Card

is here.

Learn more

The advertisement features two Klarna Visa cards. The top card is black with a large white 'K.' logo and the word 'Klarna.' in the top left corner. The bottom card is pink with a large white 'h.' logo and the word 'Klarna.' in the top right corner. Both cards have the 'VISA' logo in the bottom right corner. A small chip icon is visible on the pink card. The background is black, and the text 'The Klarna Card' is in white at the top left, 'is here.' is in white at the bottom right, and 'Learn more' is in white on a pink button at the bottom center.

3 models for installment payments



Customer-funded



Merchant-funded



Merchant funded +
credit cards

Customer-funded Installments

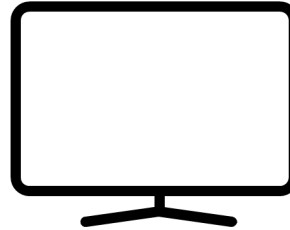
1

Customer-funded

Customer pays interest expense as part of installment payment

Offered by fin-tech companies or financial institutions

Customer buys a new TV



Purchase price \$600

Monthly payments \$110

Months 6

Total Payment \$660

APR 20%

Merchant-funded Installments

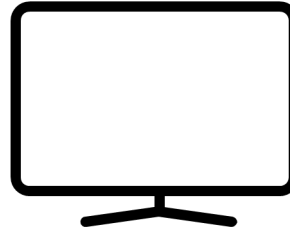
2

Merchant-funded

Merchant pays interest expense
or delays settlement until
payment received

Merchant pays a fee to cover
risk of repayment and cost of
funds

Customer buys a new TV



Purchase price	\$600
Monthly payments	\$100
# Months	6
Total Payment	\$600
Interest	0%

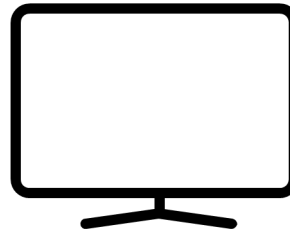
Merchant-funded installments on credit cards

3

Merchant-funded +
credit cards

Discounts to customer when
using existing credit card
products

Customer buys a new TV – “12 months no interest”



Purchase price \$600

Monthly payments \$50

Months 12

Total Payment \$600

Monthly settlement \$50

Impacts merchant cash flow and working capital

BNPL Fintechs

afterpay 

 sezzle

zip

Klarna.

Pay in 4

from  PayPal
Enjoy now, pay later

BNPL Impact on Credit Cards

___% of the credit card market in Australia?

afterpay 

 sezzle

zip

Klarna.

Pay in 4

from  PayPal
Enjoy now, pay later

BNPL Impact on Credit Cards

30% of the credit card market in Australia!

afterpay 

 sezzle

zip

Klarna.

Pay in 4

from  PayPal
Enjoy now, pay later

Don't forget about credit card installments, too 🧐



Flexible Installment Offer funding models

- 1 Bilateral agreement for installment offers
- 2 Customer funded offers
- 3 Merchant funded offers

Credit card installments in Latin American for 30 years



Click to add text



Merchants pay an extra settlement acceleration fee

TIME FRAME	COST
3 months	4.49%
6 months	6.99%
9 months	9.90%
12 months	11.95%
18 months	17.70%
24 months	24.30%

Source: Mercado Pago

- Acceleration fee is on top of payment acceptance fees
- No incrementality
- Pure cost to merchants 😡

#2 Biggest
Opportunity

Open Banking
(UPI)

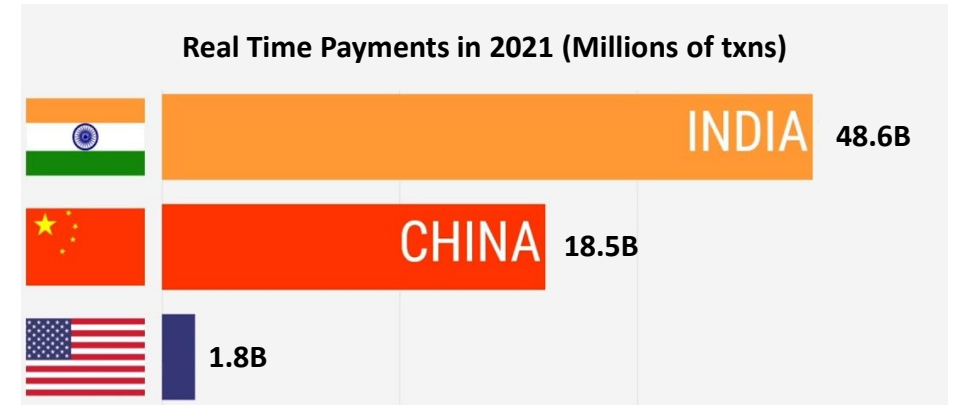
Why are Indian payments important?

GDP in 2022
\$3.5T

Economy size
5th largest

Population 2022
1.4B

Smartphone users
750M



Ministry of Finance · Aug 21, 2022

@FinMinIndia · Follow

UPI is a digital public good with immense convenience for the public & productivity gains for the economy. There is no consideration in Govt to levy any charges for UPI services. The concerns of the service providers for cost recovery have to be met through other means. (1/2)



Ministry of Finance

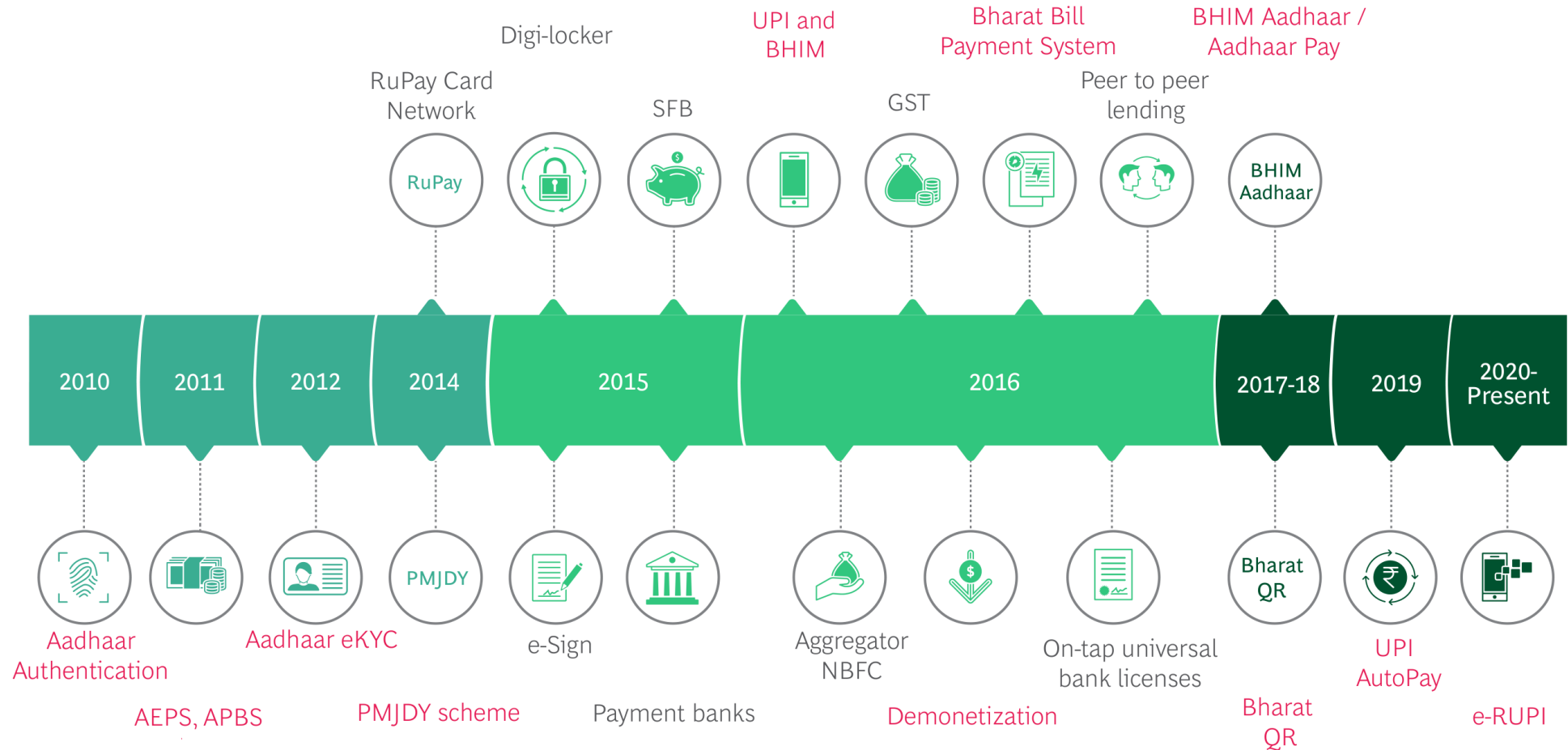
@FinMinIndia · Follow

The Govt had provided financial support for **#DigitalPayment** ecosystem last year and has announced the same this year as well to encourage further adoption of **#DigitalPayments** and promotion of payment platforms that are economical and user-friendly. (2/2)

10:00 AM · Aug 21, 2022



Indian Stack development timeline



Phase 1

Phase 2

Phase 3

Phase 1: Build the foundation for financial inclusion

Aadhar (National ID and KYC program)

- Launched in 2009
- World's largest biometric ID system, with 1.3B holders as of Oct 2021

RuPay Card Network

- Indigenous card network launched in 2012, and offers debit cards, credit cards, prepaid cards and government scheme cards
- >60% market share of total cards issued in market
- **0% MDR for debit transactions**

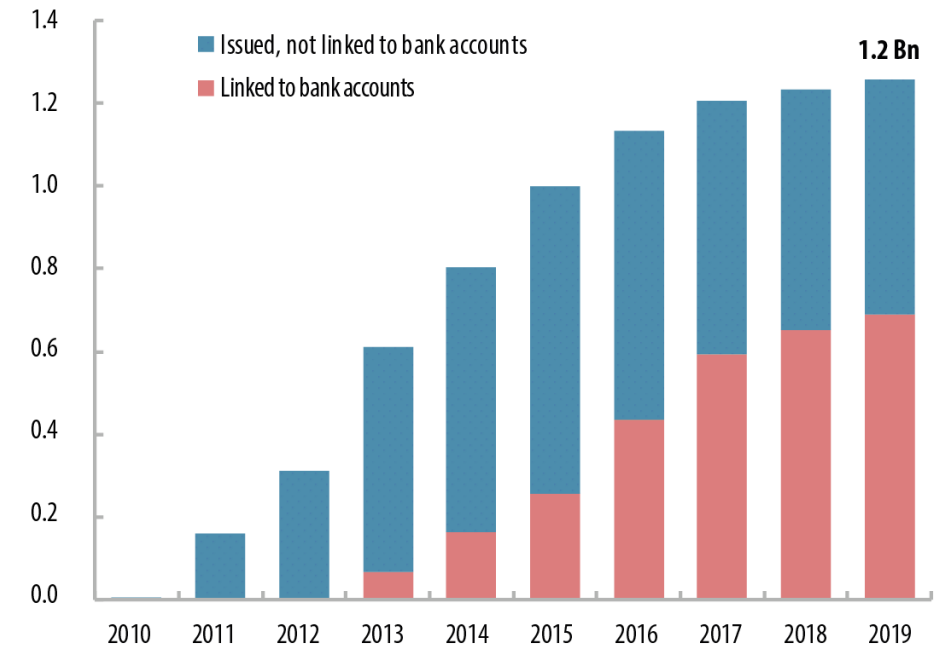
PMJDY (Financial Inclusion Program)

- Launched in 2014
- 314M bank accounts, with ₹1.7T (\$20.6B) in deposits, and 322M debit cards

Rapid Enrollment in Aadhaar Digital ID

Almost 90 percent of India's population signed up for a digital ID in less than a decade.

(number of Aadhars issued and linked to bank accounts, cumulative in billions)



Source: Unique Identification Authority of India.

Phase 2: Promote Digital Payments

Unified Payments Interface (UPI)

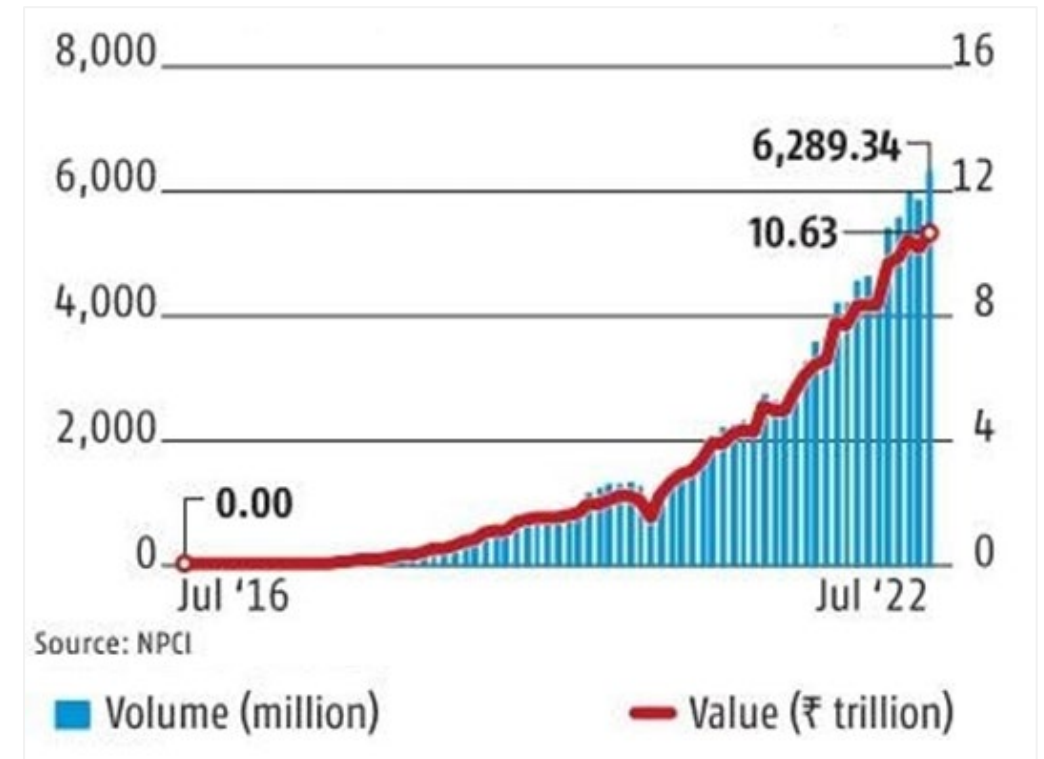
- Launched in 2016 for bank account to bank account real-time payments
- Smartphone (QR codes) and Feature phone (IVR & SMS) capable
- 0% MDR

Demonetization

- In November 2016 the government announced demonetization of ~86% of banknotes in circulation
- Shortage of cash in the immediate aftermath kickstarted adoption of UPI and other digital payment methods

In September 2022:

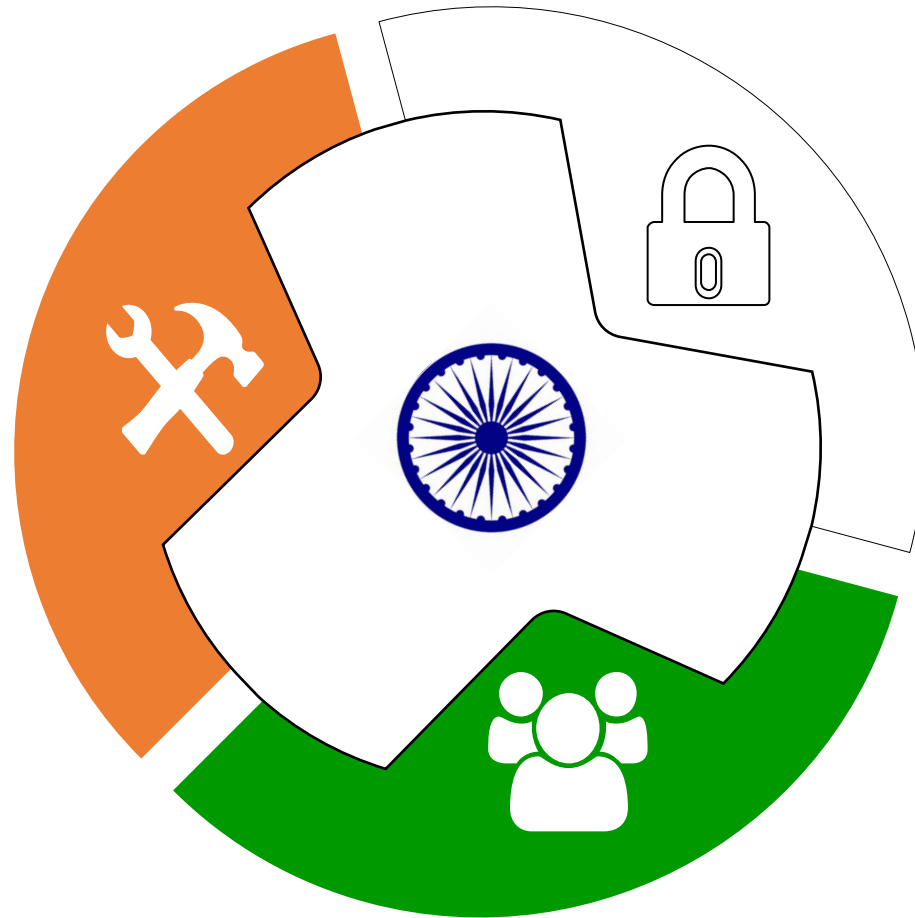
- Aggregate value of transactions: ₹11.1T (~\$136B)
- # of transactions: 6.8B
- # of active users: >100M



UPI has 60% market share of retail payment transactions, 16% market share by value

Phase 3: Accelerate the Flywheel

**Build Additional
Functionality**



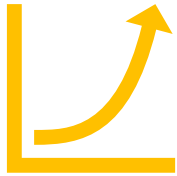
Enhance Trust

Improve Inclusion

Bottom line: UPI has high adoption and will only grow



Gold standard for how to roll out and operate a real time payments system



Lots of runway to grow by transaction count and value



Easy to use, secure, low barrier to adoption



Part of a national payments strategy

Key Takeaways

BIGGEST RISKS

- 1 No payments strategy
- 2 BNPL & Installments

BIGGEST OPPORTUNITIES

- 1 Government Engagement
- 2 Open Banking

What can YOU
do to protect your
business?

Stay engaged with

NACS[®]

Thank You! 🙏🏻 ✌️