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White Paper

Do you know the world's fastest-growing payment method...?

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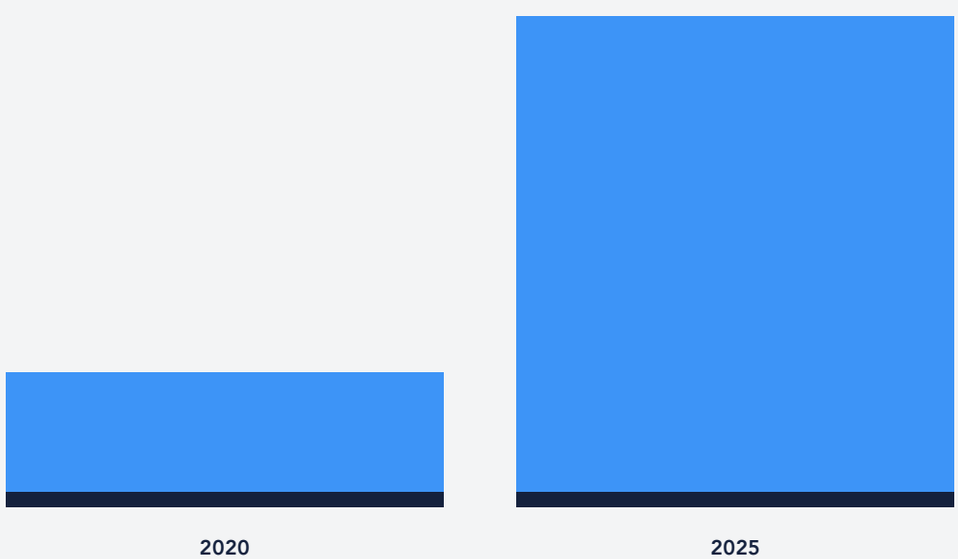
Boosted by regulatory changes and customer demand across Europe and North America, account-to-account payments are experiencing storming growth. Zimpler CEO ***Johan Strand*** explains what's behind this phenomenon – and why account-to-account payments are perfect for the modern economy.

Do you know the world's fastest-growing payment method…?

As the digital revolution continues, the way we pay is changing. Most payments professionals know about the worldwide growth of digital wallets, and are aware of e-commerce taking over during COVID, as well as the recent popularity of contactless card transactions. But if these trends are well-known, people know less about another new payment method, Account-to-Account payments (A2A).

A2A payments work by moving funds quickly and securely between merchant and consumer bank accounts with no unnecessary intermediaries. This creates a low-cost, highly efficient means of transferring value – perfect for the new economy, both for merchants and consumers, from "gig" economy workers looking to pay and get paid quickly to young companies that need to pay for office equipment or specialist services.

A2A payments to grow 29.8% annually to 2025



Source: Mordor Intelligence

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Consumers, banks and small businesses across Europe and North America have been adopting A2A payments at an astonishing rate in the last 2-3 years. According to mid-2021 research from the Domestic Payments Jury[1], the number of payment schemes around the world offering A2A options rose from 20% in 2019 to 50% just two years later. In their 2020 *Payment Methods Report*, the Aite Group predicted[2] that A2A payments could account for 15% of all transactions globally by 2030 for a market value of more than two trillion US dollars.

> **"A2A payments are predicted to account for 15% of all transactions globally by 2030, a market value of more than $2 trillion."**

In Europe, the introduction of the second Payment Services Directive (PSD2) lit a fire under A2A payments thanks to its mandate requiring that banks provide fully interoperable Application Programming Interfaces, or "open APIs". This change made it easier for both banks and FinTechs to integrate new services, including payment options. However, consumer demand and merchant convenience – plus the changing structure of the modern economy – are the biggest factors driving the current explosion in A2A payments.

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1. **See *Domestic Payment Schemes Jury Report 2021*:** https://innovationjury.com/app/uploads/2021/04/Innovation_Jury_Report_2021.pdf
2. **See *The Paypers*, "What's New in the Way People Prefer to Pay":** https://thepaypers.com/reports/payment-methods-report-2020-whats-new-in-the-way-people-prefer-to-pay/r1244363

Consumers – everything electronic

Market analysts anticipate[3] that demand for electronic payment will grow by around a third in the next five years. In the past year alone, Europe's electronic point-of-sale (EPOS) terminal base grew by 8%, while growing numbers of street vendors, sports venues and concert halls are switching to cashless payments.

The implication of this rapid switch to electronic payments is that consumers are going to want to pay quickly and safely for items large and small without waiting for transactions to be debited from their accounts days after execution. A2A payments are perfect for this change in the way people pay.

"Nine in ten consumers would switch banks if a competitor offered A2A payments."

At the same time, evidence shows that many people are switching from traditional nine-to-five jobs to a "gig" economy where the ability to pay and be paid quickly matters more than ever. As one example, transactions using Visa's direct-to-account payments system, Visa Direct, grew by 60% in the first quarter of 2020 alone[4].

Thanks to rapid settlement and instant pay-outs, A2A payments make it easier for consumers to manage their bank accounts, while the simplicity of A2A, with no complicated fee structures, also makes them attractive to merchants. It comes as no surprise to learn, then, that nine in ten consumers[5] say they would switch banks if a competitor were to offer A2A services ahead of their existing bank.

[3] **See PCM's "Digital and Card Payment Yearbooks 2020-21" (European Overview Edition):** www.paymentyearbooks.com

[4] **See *PYMNTS*, 28 January 2021:** "Visa Fiscal Q1 Earnings Show 60% growth for Visa Direct": https://www.pymnts.com/earnings/2021/visa-fiscal-q1-earnings-show-60-percent-growth-for-visa-direct/

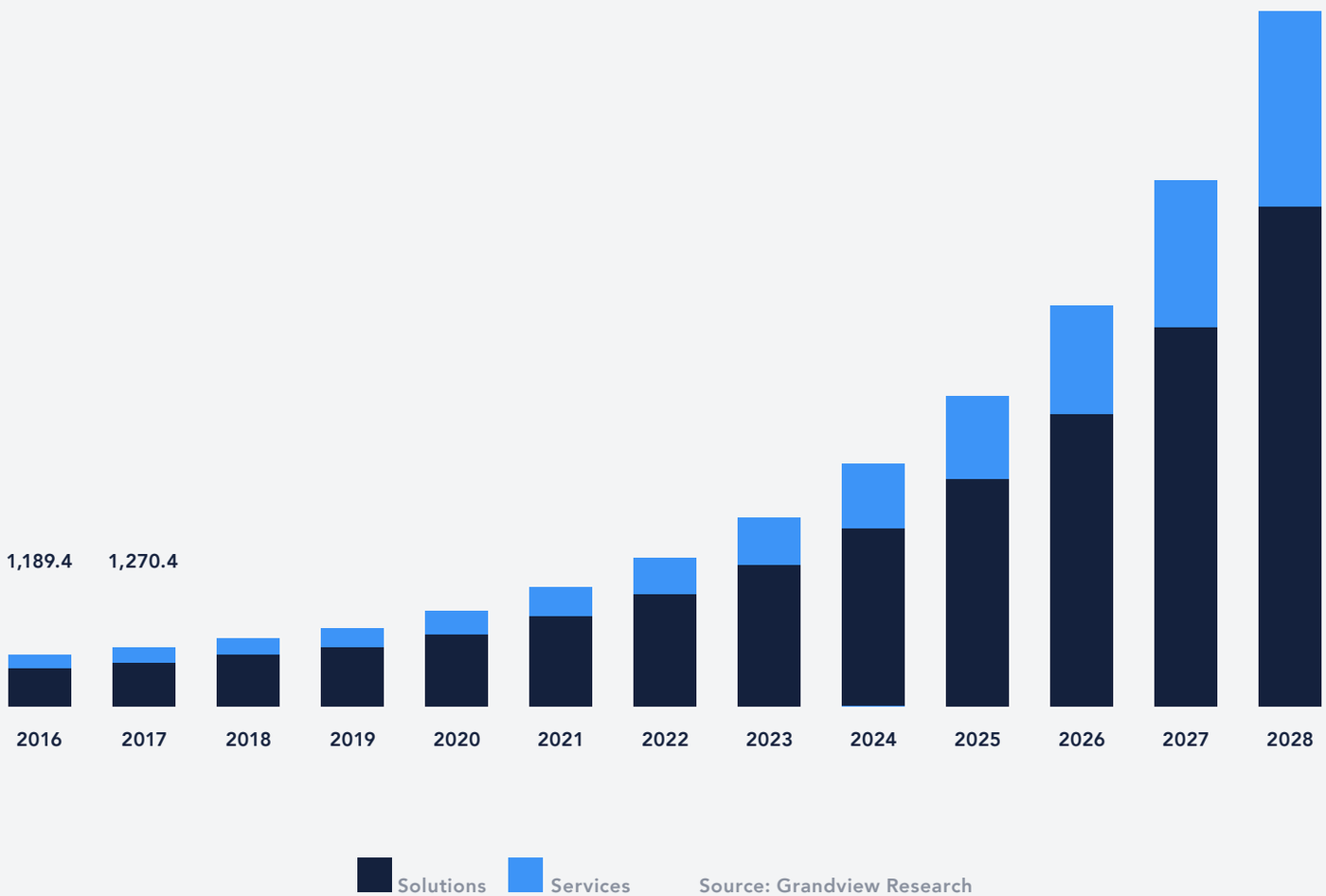
[5] **See research from Aite Group cited in note 2 above.**

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Banks: rich data and easy integrations

Apart from offering customers a new and efficient way to pay, A2A payments have other advantages from a bank's perspective. To start with, integrating A2A payments is a simple process compared to the complex and expensive software developments banks so often need to undertake when adding third-party services.

American A2A market to grow 33% year-on-year to 2028



This ease of integration – which includes Know-Your-Customer (KYC) and Anti-Money Laundering (AML) routines – fits perfectly with most retail banks' plans for a fully digital future in which they offer customers external services integrated seamlessly with their digital platforms. As research from CapGemini shows[6], two-thirds of consumers want safe, fast and efficient payments – but they are most comfortable with these services if delivered by a bank.

When it comes to creating new services, A2A payments give banks the power to capture rich transaction data such as payment frequency, amount, channel, time and currency. This allows banks to build an informed overview of their customers' payment patterns and create more relevant products. For instance, customers undertaking frequent cross-border payments could be offered multi-currency accounts, and high-volume, low-value customers could be benefit from reward products.

By building anti-fraud measures such as KYC and AML into transaction processing systems, A2A payments reduce the risk of working with small and micro-businesses for banks. Such risks are significant and growing, especially across borders: according to ManagedLEI[7], banks serving SMEs that operate globally struggle with poor KYC and AML controls inside the SMEs themselves, as well as slow processing times at international partner banks. With an A2A solution, fraud risk is reduced thanks to built-in controls, while transaction and settlement times are dramatically improved.

[6] ***Venturebeat*, 7 June 2021, "Banks Roll Out Digital Experiences to compete with FinTech":** https://venturebeat.com/2021/06/07/capgemini-banks-roll-out-digital-experiences-to-compete-with-fintech/

[7] **See *ManagedLEI*, "The Challenge of Cross-Border Payments":** https://managedlei.com/blog/the-challenges-of-cross-border-payments/

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"Integrating A2A payments is simple compared to the complex and expensive software patching so often required by third-party services for bank platforms."



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The right fit for FinTech – and merchants

Fast-growing FinTechs operating online, as well as traditional bricks-and-mortar merchants, also enjoy many of the same benefits from A2A solutions as banks. As with banks, the integration of A2A solutions is quick and simple to execute, requiring no hardware upgrades and few if any software alterations. Meanwhile, merchants can reduce the cost they pay per transaction thanks to a radical reduction in the number of steps taken to receive and send payments. At Zimpler, we've also introduced an Account Information Service (AIS) to to secure data, minimize errors from manual input and simplify sign-up processes, boosting repeat revenue from recurring payments.

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A2A for today – and the future

A2A payments are the perfect fit for today's time-pressed consumer looking for fast, safe and secure payments and better management of their bank accounts. Consumer interest in A2A payments is huge – and as we've seen, merchants and banks are responding, with the number of A2A integrations more than trebling between 2019 and 2020. As a result of these new integrations, markets across Europe and North America are seeing annualised growth in A2A payments of between 15 and 50%[8], making A2A the world's fastest-growing payment method by some distance.

At Zimpler, our sales increased by more than 300 percent between 2019 and 2020 and we recorded 118 million SEK in revenue, compared with 28 million SEK the year before. In the first six months of 2021 sales have already exceeded 100 million SEK – almost double what we achieved last year. We offer an end-to-end A2A solution which enables instant bank payments and pay-outs via a single integration. Our solution is built on top of existing bank systems, simplifying integration, and can be branded to fit a merchant's wider customer offering. We also offer extensive client support and a fully flexible user experience.

"Markets across Europe and North America are seeing growth in A2A payments of up to 50%, making A2A the world's fastest-growing payment method by some distance."

[8] **According to Grandview Research:** https://www.grandviewresearch.com/industry-analysis/real-time-payments-market

To find out more about A2A payments and how you can benefit from the world's fastest-growing payment method, please contact ***alexander@zimpler.com*** *or visit* ***www.zimpler.com***

Do you know the world's fastest-growing payment method…?

Zimpler is a fast growing FinTech company that provides an account to account payment solution to companies that want an easy and quick way to offer incoming and outgoing payments for their users.

In short: we make it real easy for you to allow your users to transfer money to and from your account.

Our vision is everything should just work. Imagine a world that is completely friction free. No waiting in line, no arguing with support, no woopsie daisy unexpected errors. Just smooth sailing from when you wake up in the morning until you slither down between your sheets in the evening. Wouldn't that be nice?

As a FinTech company, our contribution to this comfier future is to simplify transactions between people and businesses everywhere. We're finding better, smarter, smoother, prettier, user friendlier and more innovative ways to do things.

We are licensed by the Swedish FSA (Finansinspektionen) and hold a license to operate in the ESS/EU area.

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