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Paytech and the competition for e-commerce value chain – case of Poland

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Overview

- Fintech and paytech fundamentals in Poland
- Fintechs and banks – friends or enemies?
- Technology enables new entrants – the case of BNPL

Poland – fundamentals for paytech (data for 2021-22)



POS terminals – 1.2 million,
100% NFC enabled



Universal mobile phone adoption
(96,9% of age 15+, 80%
smartphones)



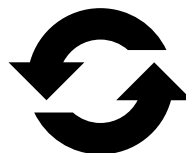
Card payment acceptance: 560
thousand traditional merchants
+ 46 thousand online
merchants



Nearly universal access to
payment accounts (90-96% of age
15+, depending on source)



Payment (incl. credit) cards:
39.3 milion (1.04 card / capita)
9 milion cards connected to
mobile wallets (Google/Apple
Pay, etc)



Main retail payment system settled
3x per day
Two retail instant payments
systems operating since 2012

Financial use of internet by consumers



E-commerce – moderate:
61% vs 67% EU average

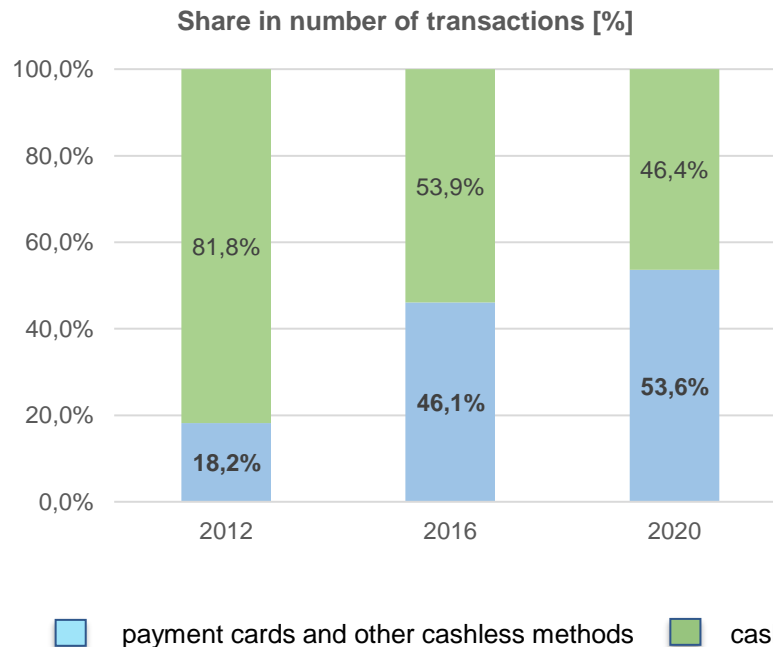


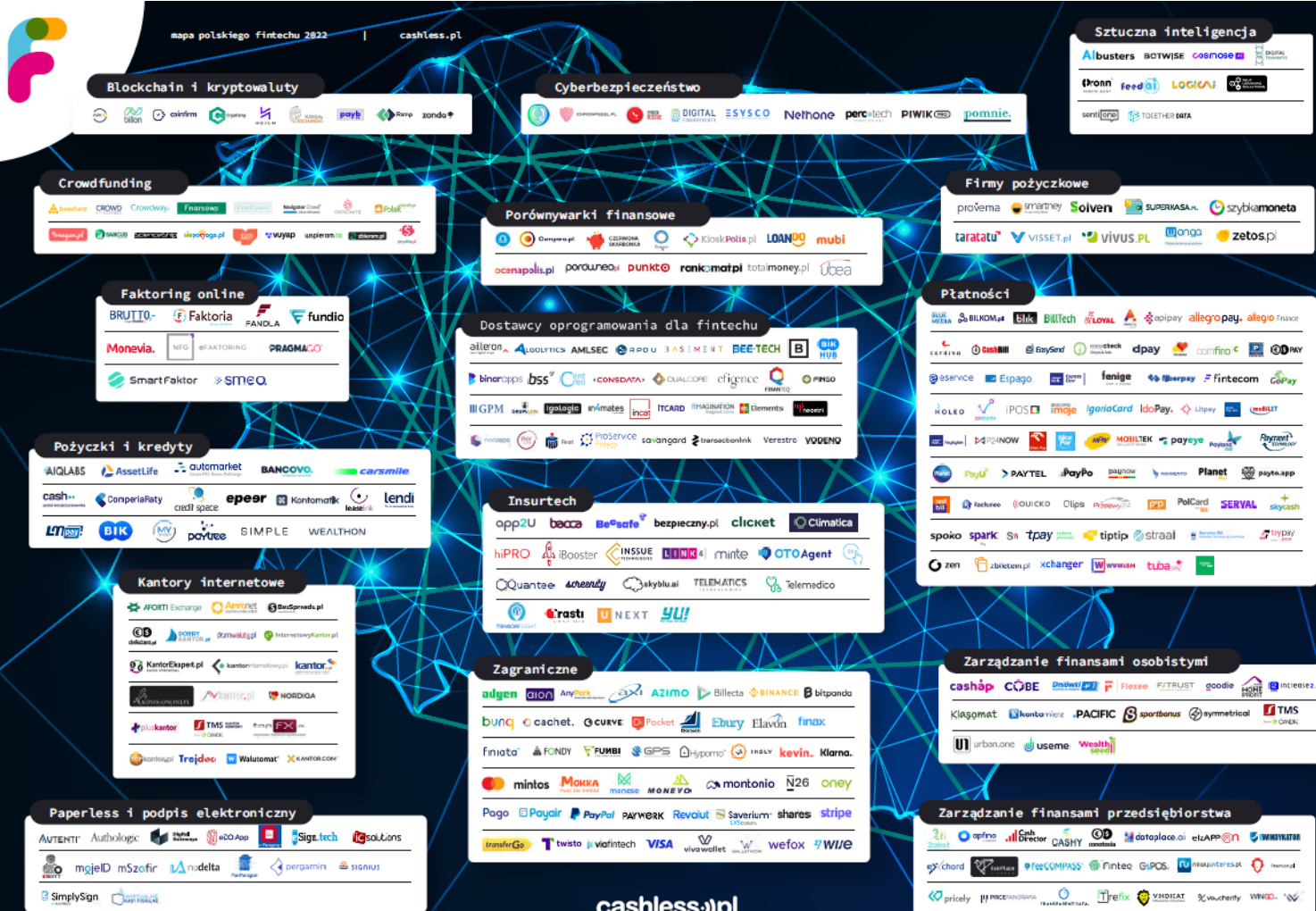
Internet banking – moderate:
52% vs 58% EU average



Digital maturity (consumer-facing)
of banks: some high performers –
6 in top 30 of Deloitte Digital
Banking Maturity (300 banks, 41
countries)

Mode of payment at POS: cashless growing, but cash has its role






Wide-ranging fintech sector

Market summary: Around 300 entities, 74 in payments

Main paytech business models in Poland

- Payment enablers:
 - Online payment processors: enabling card, BLIK & pay-by-link payments in e-commerce
 - Settlement agents (enabling payments @ physical POS)
 - Mobile payment providers incl. BLIK (Polish payment system used for mobile and e-commerce payments)
- Online FX exchange services
- Specialised payment services – e.g. tickets, highway tolls, parking fees – enabling payment for these services through mobile apps or other digital solutions
- “neobanks” – payment account providers, which also issue payment cards
- Auxilliary services – payment-specialised IT, payment hardware for merchants



Regulated
as payment
institutions
(PSD2)

Relationship with banks

Complementarity

- Online & POS payments processors
- Payment IT & hardware

Cooperation

- Specific payments solutions as VAS for banks
- BLIK: created by a consortium of largest Polish banks

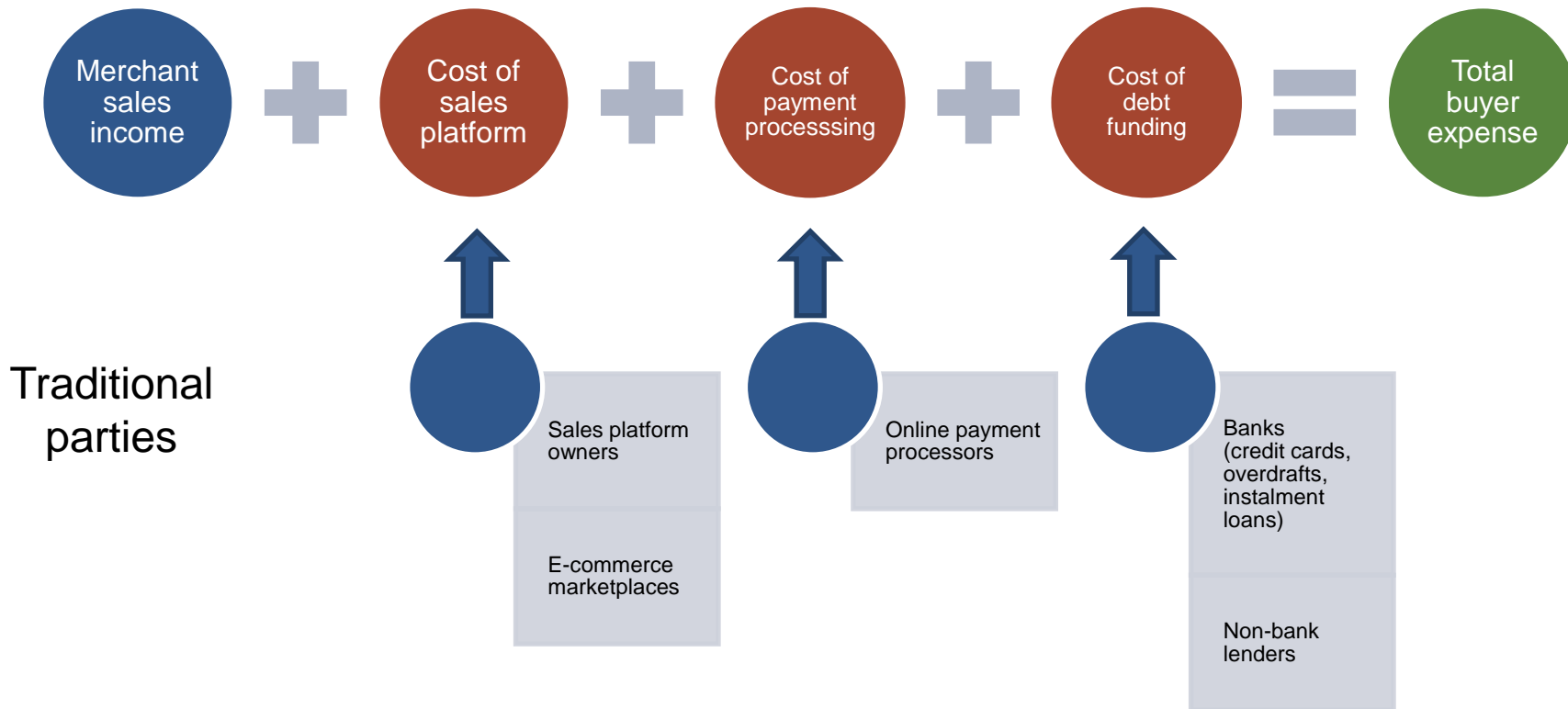
Competition

- Online FX exchange
- Neobanks

Fintech / paytech and banks

- „Coopetition” / „Frenemies”
- Fintech/paytech pushing banks to improve their services
 - Multicurrency cards popularised by neobanks became a standard bank offer,
 - Competition with FX exchange services pushed banks to offer better services in this area
 - Competition among banks and against fintechs/paytechs incentivises ongoing improvement of digital customer interfaces
- Banks using their flexibility to integrate new services and keep their role as “screen time owners” of consumer finance management
 - Fintech as a „supermarket with ideas”
 - Fintech accelerators / incubators run by banks – sometimes leading to equity investment by banks in fintechs

e-commerce value chain



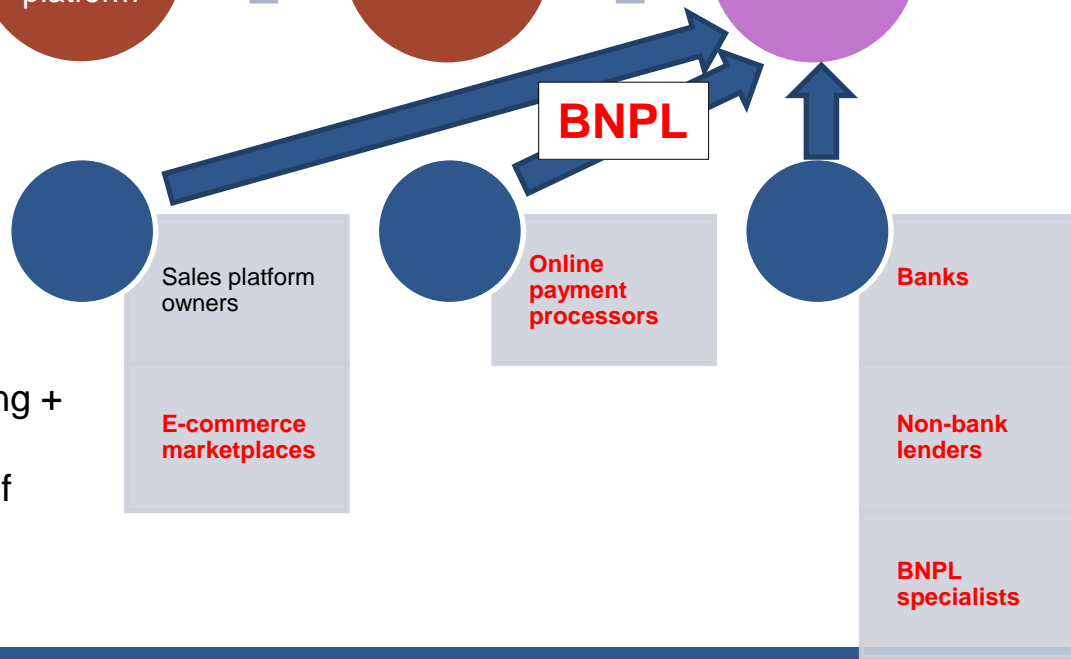
Deferred payments / BNPL: e-commerce value chain



BNPL prevalence
2020: 30% e-commerce
merchants
2022: 73%

Key selling points of BNPL:

- Speed – use of non-traditional data for scoring + credit bureau data
- Cost-free for consumer if repaid in grace period
- Easier integration with product returns



Case study: Allegro

- Top e-commerce marketplace in Poland: around 35%-40% share in total e-commerce retail sales; 13.5 million customers in PL; on the market since 2000
- Entry into BNPL in late 2020;
 - 2021 – 2 bn PLN BNPL extended (equal to ca.17% of flow of all non-bank lending)
 - 2022 H1 – 2.2 bn PLN BNPL extended
- Information advantages: customer's activity history
- Funding strategy: loans which are not repaid in the interest-free period are sold to banks
- Goal (explicitly stated): boosting sales through the marketplace

BNPL market and challenges

- Other entrants:
 - BNPL specialists, both Polish and global
 - Banks & neobanks
 - BLIK payment system operator
 - Online payment processors
- Market size: hard to assess, no obligatory reporting requirements
 - Partial data (industry associations + financial reports) : estimated at 30% of non-bank lending, but still small compared to non-mortgage bank lending to consumers (around 3%),
 - high growth rate, around 100% y/y
- Challenges
 - Consumer perception: debt vs payment method; implications for overindebtedness risk
 - Regulatory clarity: applicability of consumer credit legislation
 - Complexity of credit scoring mechanisms – nontraditional data
- Multiple goals and strategies: boosting sales (marketplaces) vs interest & fee income (BNPL specialists); visible in pricing



Thank you for your attention!



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