

Payment startups big winners of e-commerce boom

March 19 2021, by Benoit Toussaint



Online shopping, contactless card readers and mobile payments are nothing new, but lockdowns and fears of contagion changed consumer behaviour during the coronavirus crisis.

They were little known before the pandemic, but startups in the

flourishing digital payment industry are now worth a fortune as COVID-19 has forced people to increasingly embrace e-commerce.

Online shopping, contactless card readers and [mobile payments](#) are nothing new, but lockdowns and fears of contagion changed [consumer behaviour](#) during the coronavirus crisis.

"2020 considerably accelerated the shift in consumer preferences to [electronic payments](#) and [online shopping](#)," said Marc-Henri Desportes, deputy CEO of Worldline, a French [payment](#) and transactions processing firm.

A trio of startups—Stripe, SumUp and Pledg—have benefited from the shift.

Founded by two Irish brothers in 2011, Stripe catapulted to the forefront of the industry after its valuation soared to \$95 billion in the past week, nearly tripling since last year.

However, it still has a long way to catch up to the likes of Mastercard, valued above \$300 billion.

The California-based payments processing firm reached its new valuation after raising \$600 million in funding from investors last weekend.

On Tuesday, the British startup SumUp, which provides card payment terminals and [online services](#), raised 750 million euros in funding.

On the same day, the Paris-based startup Pledg, which specialises in installment payment services, raised 80 million euros.

"We've done in one year a transformation which would in normal times

take three or five years," said Desportes.

PayPal and We Chat

According a study by the consulting firm Accenture published last year, global payments revenue may rise by \$500 billion over the coming years to hit \$2 trillion in 2025.



According a study by the consulting firm Accenture published last year, global payments revenue may rise by \$500 billion over the coming years to hit \$2 trillion in 2025.

The biggest names in the sector include US firms PayPal, Apple Pay and Visa, and China's WeChat Pay and Alipay.

Others on the rise include US firm Square and Dutch-based Adyen.

Stripe's "recent valuation is maybe a signal that the accelerating forces of COVID are going to actually make it a lot easier for fintechs to sort of become more successful with greater market share," said Matt Palframan, director of financial services research at survey and data firm YouGov.

"The really interesting thing ... is to what extent do consumers go back to how they were living before COVID as we emerge from the crisis and to what extent some of this behavioural change is permanent," he added.

That question is crucial for fintechs (finance technology companies) like Stripe, which helps online retailers with payments processing, said Palframan.

'Value up for grabs'

It is also important for the other firms that offer accessory services like multifactor authentication, loyalty programmes and instalment payments which are becoming more and more popular among retailers.

With commissions for each transaction low, volume becomes key to becoming profitable.

For example, a payments processor like Worldline handles 10 billion transactions per year for retailers.

"There is value up for grabs, particularly from merchants who are already used to handing over several percentage points of transactions to

the payment processor," said Thomas Rocafull, a consultant at Sia Partners.

But retailers also stand to gain.

"Once a client has made the effort to enter his payment details in an electronic wallet or app, they'll probably think twice before changing," he added.

© 2021 AFP

Citation: Payment startups big winners of e-commerce boom (2021, March 19) retrieved 2 May 2024 from <https://techxplore.com/news/2021-03-payment-startups-big-winners-e-commerce.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--