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WHAT'S NEXT IN PAYMENTS:

# THE CONNECTED ECONOMY

46 TOP PAYMENT EXECUTIVES

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WHAT'S NEXT IN PAYMENTS: THE CONNECTED ECONOMY

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# The ConnectedEconomy™ 100:

## CREATING AND CONNECTING **A NEW WORLD**

In 1990 New York Telephone (now Verizon) rolled out a new marketing line: "We're all connected." The phrase got a full court press, with print, radio and TV ads prominently featuring the slogan — often sung in jingle form.

We weren't connected, of course. The internet barely existed in 1990 and most Americans were still nearly a half decade away from even having heard of it. There was no such thing as eCommerce, mobile telephones were an expensive rarity, tweeting was something birds did and the advance in human connectedness the phone company was actually pushing at the time was low-cost long-distance calling service from the landlines people had in their kitchens.

In short, we were all pretty disconnected.

But what New York Telephone lacked in descriptive accuracy it more than made up for in predictive ability, as 31 years and one global pandemic later it seems we are in fact all connected. Pushed by necessity and enabled by technological advances that have been creeping up over for a decade or so, the last year has seen consumers shift how they work, eat, seek medical care, shop, relax, connect with friends and family and consume entertainment to digitized channels.

That digital dive has forced all manner of merchants and businesses to rapidly accelerate their digital journey and recreate their offerings for the era of the connected consumer, with a demand set that has digitized about five years ahead of schedule.

## What's Next?

With the pandemic era easing back in the United States and around the world, and restrictions being lifted, digitization will soon no longer be a matter of necessity for consumers as it becomes safe to go out again. But the reopening of the real world, and the return of so-called "normalcy" does not mean the era of connectedness that the pandemic helped usher into existence over the last 16 months is going anywhere.

That was the consensus of executives PYMNTS interviewed for this eBook; that while the pandemic will fade, consumer's desire for a series of digital doorways that make it easy to complete tasks by seamlessly moving between channels will remain.

How we shop, how we pay, how we interact and transact with each other has changed fundamentally and for the better, the experts agreed, as consumers have a range of choices they've never had before and businesses now have an ability to customize and curate user experiences and offerings.

And that, experts nearly across the board agreed, isn't the exciting part of the story. Because all the advances the connected economy has made so far are mostly prelude to what could potentially be offered up next. As technology advances and connections become more myriad, the combinations and offers the connected economy will be able to bring to the average customer will grow accordingly, and in ways that are hard to predict — but easy to get excited about from the vantage point of mid-2021.

What we can know today is that the connected economy was off and running in 2020 and shows no sign of slowing down in 2021 or beyond. If anything, it is likely only going to keep picking up speed as the pace of the race continues to accelerate with more and more players setting out from the starting line.

**OLIVER WINTER**

Founder & CEO

aohostels.com

# CHASING GROWTH IN TRAVEL'S HYBRID HOTEL-HOSTELS SEGMENT

For those in the lodging industry, the last 16 months have been all about evolution as such businesses have struggled to recreate themselves and their offerings for the era of COVID-19 and all the restrictions and consumer anxiety it has spurred.

But evolution has been a constant over the two decades that A&O Hotels and Hostels has been in business as the company has expanded its offering and footprint around the world.

According to A&O Founder and CEO Oliver Winter in his Connected Economy chat with PYMNTS, the hospitality company is now developing a "hybrid-mode" that offers consumers the choice between more hostel-like offerings with rooms for four to six people all sharing a common bathroom or a more hotel-like offering with a private room and bathroom. A&O currently runs 35 establishments in 21 cities and seven countries (Germany, Austria, the Netherlands, Hungary, Czech Republic, Italy and Denmark). The goal is growth.

"We are in progress in many more cities," Winter said. "So, for example, Barcelona, Florence, and Heidelberg. We are also very, very happy that we will enter the U.K. in Edinburgh. Our aim is still from Istanbul to Rome to Copenhagen. We want to be covering all major cities.

But even though the company kept opening locations, Winter noted, the year 2020 was one of changes for the A&O brand, including a focus on buildings that were safer, more accessible and more connected than ever before.

### The New A&O

The year 2020 was one of changing the A&O business to meet the needs of the time, Winter said.

The company created the position of social distancing specialists to help guide guests to the best places to eat or best activities where guests could count on strong social distancing or to make sure their hygiene requirements were in line.

Business functioned mostly as usual over the summer, when case counts were down, and consumers started traveling again. But when the second, third and fourth rounds of COVID-19 began sweeping through Europe in the fall, and lockdowns began again, A&O worked with municipalities to provide lodging for the local homeless and medical workers in need of a place to stay.

The company learned an important lesson about consumers and their will to get out on the road again, Winter said.

"What we see is that people in general are not afraid to travel; they are willing to travel," Winter said, provided one can offer them the right conditions to do so and make them feel safe while they are doing it.

Critical to creating that feeling is investing in connectedness, he said.

Today, Winter said, some 50 percent of bookings are made online via the website, app, social media channels, etc. The aim is to increase that percentage to 70 percent by the end of this year. Digital streamlines the guest journey — from making a reservation to check-in itself to using their phone to pick up their room key totally contact free when they arrive. That's if they need a key at all; at seven of the locations, users can use their mobile device as their key via Bluetooth.

Connectedness "is critical to optimize this contactless guest journey" that guests are increasingly looking for, he said.

### What's Next

A&O is entering the summer optimistic about what's next, and hopeful that by late in the season or early fall, more normalcy will be back to the European market as vaccine distribution regularizes and the great reopening can get more fully underway. The company is now serving a business traveler client base, something it didn't see much pre-pandemic and that it is going to keep trying to grow post-pandemic.

Moreover, Winter noted, the hope he has going into 2021 and beyond is that hotels, hostels and other lodging players, having seen how much they were able to change and upgrade their properties and experiences in 2020, will take that innovative attitude to solving the industry's next big problem once the pandemic has passed.

"I would be happy to see this effort end with a pick-up in trying to create sustainability," he said. "Hygiene measures are still the main focus of everybody. But I always say that after contactless, we will need to start speaking about emission less and how we can create a very little footprint when we travel over the next decade."

# SAM SHRAUGER

Global Head of Payments,
Chairman and CEO Airbnb Payments

# TRUSTED PAYMENTS ARE THE CONNECTED ECONOMY'S BACKBONE

As the economy has started to reopen and vaccinated global citizens look to scratch their travel itch, the tally of just how much damage the global pandemic caused the travel sector is just now becoming more clear.

Across the segment globally, it has been reported that 62 million jobs were lost; in the U.S., that number hit 5.6 million. Contribution to GDP globally was roughly cut in half — from 10.4 percent in 2019 to 5.5 percent in 2020. No corner of the sector was left out. Airbnb CEO Brian Chesky described the early days of the pandemic as "the most harrowing crisis of our lifetime" in an email to employees.

And yet, while other travel firms continued to struggle for the rest of 2020 and into the early days of 2021, the Airbnb story played out a bit differently. After an initial dip, bookings began surging on the platform through the end of 2020. Airbnb went public on Dec. 9 with a blockbuster IPO that saw its share price double on the first day of trading.

So what was behind the counter-cyclical activity that kept Airbnb connecting consumers? There are several nuanced answers to that question, Airbnb's Global Head of Payments Sam Shrauger told Karen Webster when he sat down for the ConnectedEconomy™ series discussion last week. Overriding all of the answers is one simple, highly anecdotal reason: People really wanted to get out of their houses, but not necessarily into a hotel.

"Many people were just tired of working remotely in their own homes, and if they were going to do it for a long period of time, they wanted to do it somewhere other than their home," Shrauger remarked.

It was a trend that Shrauger said that he and the team at Airbnb had observed before the pandemic but was clearly intensified as a result of it. More so than before, people were thinking of living, working and having fun as "one" — a phenomenon that Shrauger said doesn't appear to be abating.

Consumers, he said, have rewired the connective tissue of their lives to better enable them to function — and survive — during a great disruption. They are looking for a different, fundamentally simpler, much more connected ecosystem to exist and transact in.

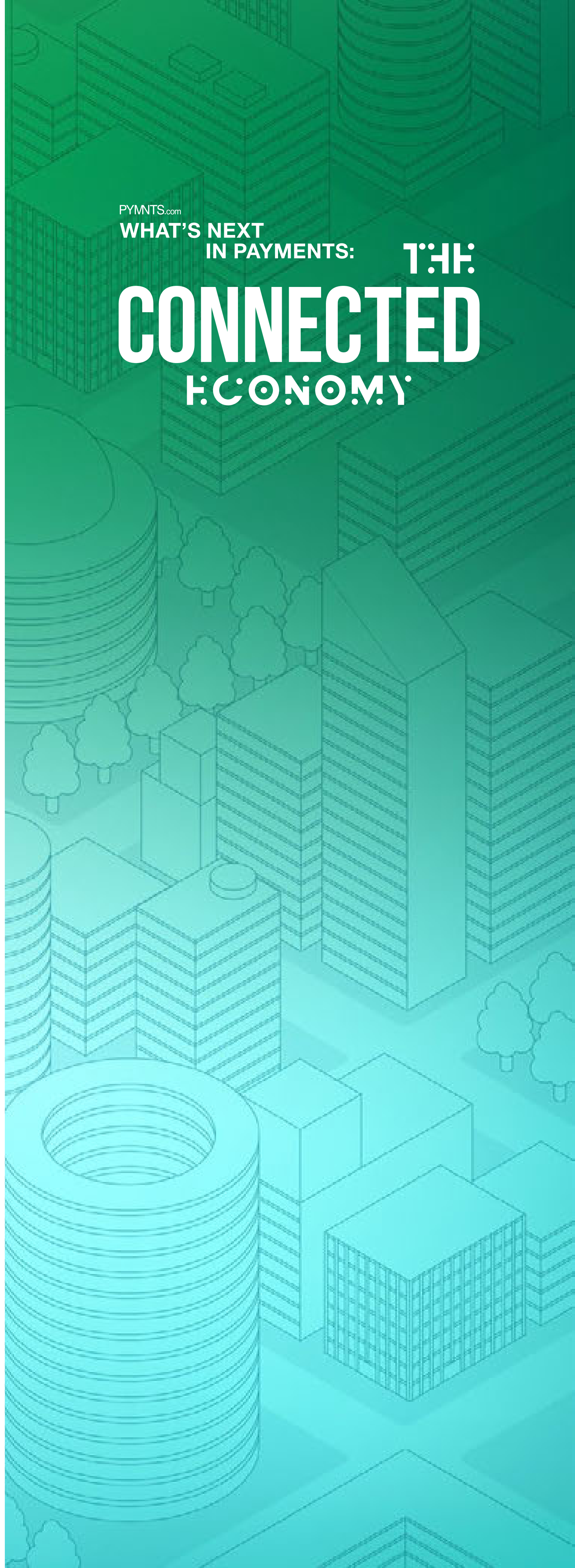
## The Power Of Underlying Payments Strength

Powering this shift is payments, something that may not be the "flashy" part of the Airbnb experience, but they are, no doubt, a very critical one. Enabling "pay in" for consumers who are booking properties in more than 200 countries and territories and who use one of more than 40 currencies to do it, expect that payments will work smoothly.

Enabling the "pay out" to hosts is much more complex. Ninety percent of Airbnb hosts are people; more than half are everyday people who want to rent out a spare room or a part of their home to add to their household cash flow. Providing a safe, reliable and accurate payout to those more than 4 million hosts operating in those 200+ countries and territories who accept those more than 40 currencies is one of the reasons that Chesky gave Shrauger's global payments operation a shout out on its Q4 2020 earnings call.

"We have created the system that provides both sides of that transaction, the ability to experience payments the way that [each side] wants to," Shrauger said.

It's become increasingly complex as Airbnb continues to add more functionality to the platform, making the guest/host experience richer, rewarding, and personalized. For instance, when guests are booking experiences along with their stays, they want their "tab" to reflect all of



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those experiences, not a series of one-offs. Shrauger quoted Airbnb data that suggests that 80 percent of Airbnb hosts offer those types of recommendations for their guests — 50 percent of whom follow through with them.

Longer-term bookings, such as those Airbnb has seen increasing over the course of the pandemic, can run into the tens of thousands of dollars. Features such as Payless Upfront allow guests to break up the payments for their stays so that part of it is paid in advance at the time of the booking with the balance paid out later, more similar to the hotel booking experience that guests are used to.

### Rewriting The Future Of Travel

No one has a crystal ball to know with real certainty what comes next for the travel industry, domestically or internationally, even as the industry remains ever hopeful as demand begins to slowly pick up.

That the industry is and will be different, Shrauger noted, is certain; what exactly that will look like is still very much under construction. Regardless, Airbnb remains true to its mission — helping guests connect to neighborhoods where they can "like a local" outside the city centers and experience the restaurants and shops and attractions far removed from the usual "tourist traps." Shrauger said that more than $117 billion in direct host earnings had been created on the Airbnb platform since its inception — money that otherwise wouldn't have found its way into the bank accounts of the everyday folks who have turned demand for their home into cash.

In many ways, he noted, payments is the foundation of Airbnb's business because "payments is trust."

For a global marketplace such as Airbnb to exist and function efficiently, it needs to inspire trust — in the platform, in the host and the payments experience. Trust, Shrauger said, for how the money moves, trust that the policies are what they say they are, that the properties are what they say they are and that if problems arise, there's trust that Airbnb is there to help intermediate between the guests and the host.

That trust, enabled by the Airbnb payments experience, Shrauger said, is an important cornerstone for the connections their platform makes possible between Airbnb, the guest and host — and the many value-added experiences that exist today and will likely evolve further in the months and years to come.

"The foundation for everything we do is trust — it's trust that we're going to meet their needs today and be ready to meet the ones they or we haven't even thought of yet that will arise tomorrow."

**JASON INSKEEP**

Director of
5G Center of Excellence

AT&T

# 5G ISN'T ABOUT THINKING OUTSIDE THE BOX — IT'S ABOUT **BREAKING AND REBUILDING THE BOX**

The only thing harder than building new tools is knowing exactly what to do with them once they're actually built.

The development of 5G presents an excellent case in point. For the last several years, we've been hearing 5G is coming, bringing a whole host of capabilities that will forever change our interactions with the digital world. Well, 5G isn't coming anymore — it's here, at least in its nascent stages, which now leaves a giant, gaping question to be answered: What are we going to do with it?

That's a complicated question, AT&T Director of 5G Center of Excellence Jason Inskeep told Karen Webster when the two sat down for PYMNTS' Connected Economy series. That's because the changes coming to the market, and the kinds of shifts they will enable, are qualitatively different than what has come before.

Previous iterations of connectedness came care of the original equipment managers (OEMs) who owned and operated the networks, he said. It was fairly monolithic in its construction. The ending day of LTE and the early days of 5G are qualitatively different than what came before, and they are much more software-driven and user-defined, creating all kinds of opportunities that didn't exist just two or three years ago.

As Inskeep noted, 5G won't just allow consumers to move seamlessly between verticals on their increasingly omnichannel journeys so much as it will actually change how they live in those verticals.

"The biggest thing I go back to is, don't just think outside of the box, try to rebuild it because there are different opportunities now that we didn't have just three or four years ago," Inskeep told Webster. "We are always looking at things like XR, VR and autonomous robots — and those things are great and very shiny and exciting. But there are a lot of things that just by changing how your mobile connects provide a big advantage. It may not be flashy, may not be super shiny, but the customer experience gets better."

It is the elevation of that customer experience that should be the "North Star" that guides actions and decisions on a daily basis, he noted — a process that is as much tied up in building the right processes as it is in putting the right technology into place. As powerful an enabler as technology has proven itself to be, it is still only that. It is the infrastructural ground layer upon which iteration and innovation can and will happen.

Innovation will roll out across verticals in a variety of different ways, expanding and developing over time. Connected options enable access to healthcare in remote and rural enclaves on par with what is offered in major metros.

In retail experiences, smart cities guide the consumer to the right commerce locations based on their intent and proximity to retail outlets that can meet their needs. With buy online, pick up in store (BOPIS), the retailer can walk out and meet the consumer curbside as they pull into the parking lot, instead of the customer having to



wait in a space for someone to walk out and meet them.

As Inskeep noted, the technology's capabilities are as myriad as they are impressive. For the retailer, the challenge is in finding the right use cases to delight and engage their current customer base and also attract new consumers.

"We're coming to a point in technology where we can do just about anything," he said. "The bad news, however, is that we can do anything. So, firms need to measure where their current use case is, understand their customer personas, because that's going to guide them to what they want to do. When it comes to transforming the flow of traffic, we've come to a point where it's not a matter of if, but when and how."

Transformation in the era of 5G and the increasingly super-connected consumer will come in many forms, Inskeep noted. The flashy expansions and technologies like augmented reality (AR), virtual reality (VR), autonomous robots and the like catch a lot of attention, but the really fundamental change that is blurring the lines between verticals is much more subtle.

And it is important to keep in mind just how early we are in a process that will itself be highly interactive going forward, Inskeep told Webster. This is an idea that is still very much under construction, and the enabling technology will create the playing field for innovators' ideas. When building a real city, the grid goes in before the skyscrapers are constructed. And the same is true of a smart city — the enabling technology is the grid. The skyscrapers will go up as different entities begin iterating on the grid infrastructure to build the next iteration of the connected world.

"People get locked in on the parlor tricks, the sexy object or the widget that sells the idea," Inskeep said. "But there is no sexy app here that's going to prove the case. It's how the infrastructure creates experiences, regardless of the user. That's the new concept that you're talking about and looking to invest in it. Then the ideation around how to share data becomes easier."

**SUDHIR JHA**

Senior Vice President
and Head of Brighterion

Brighterion mastercard

# AI: THE CONNECTED ECONOMY'S **UNSUNG HERO**

Data is frequently said to be the oil of information — the necessary commodity without which the entire connected economy simply cannot run. Because no matter the issue — potential threats and privacy issues, connecting consumers to new modes of interaction, making new integrations possible between businesses — the emerging connected economy is about data, as Sudhir Jha, senior vice president and head of Brighterion, told Karen Webster in a ConnectedEconomy™ conversation.

The good news, according to one recent report, is that the C-Suite is starting to get it — 78 percent of all companies are engaged in widespread artificial intelligence (AI) initiatives, compared to 65 percent before the pandemic.

And that sudden rush of awareness about the power of connectivity that data unlocks, Jha said, can in many ways be attributed to the pandemic itself — and how it forced connectedness and data's power to bridge their gaps and quickly moved from the background into the absolute foreground for business leaders.

"To give credit to the companies, I think they all understood that AI was going to play a big role," he said. "It wasn't that they didn't expect it, or that they didn't believe in the technology. But it was hard for them to justify a big investment. So they could do small steps, and there was a much longer period where we were doing a lot of experimentation without a lot of really big uses of AI. What happened with the pandemic was a 'do or die' kind of situation. Prioritization became easier."

The digital shift necessitated the use of AI, and widened the playing field for organizations across verticals to rebuild their customer experience in a way that reconnected them to a digitizing environment, Jha said.

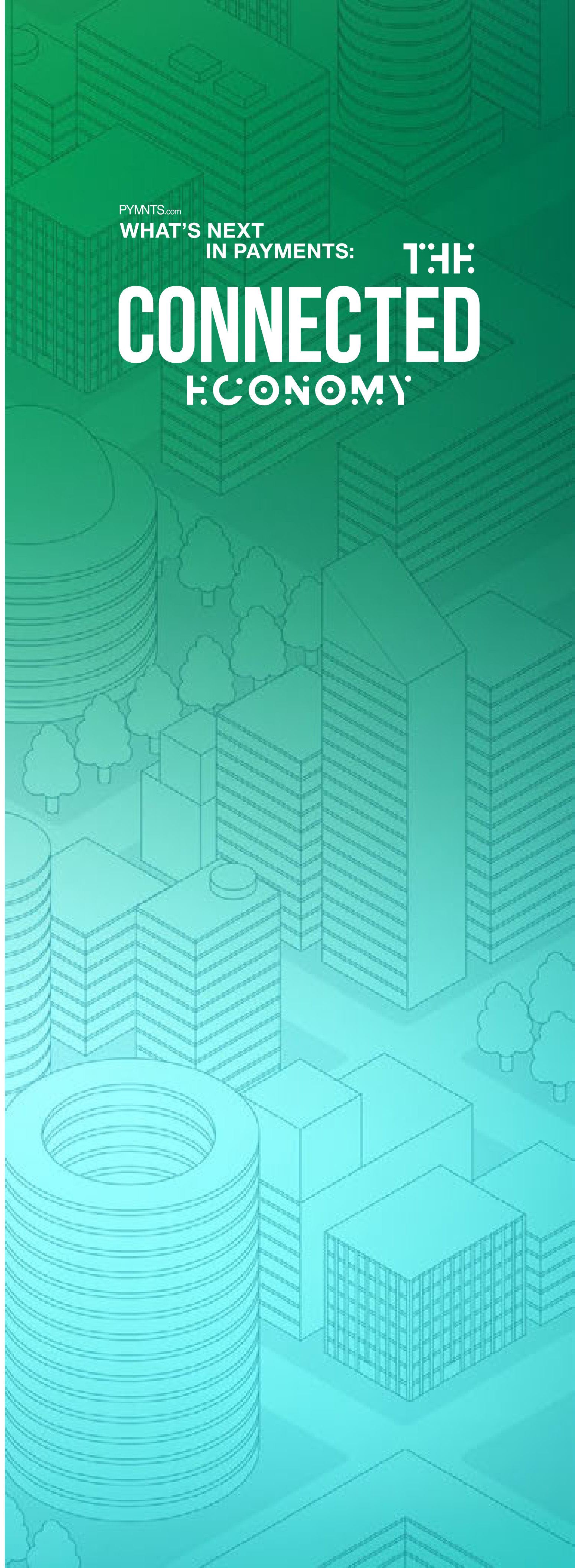
Some segments, like financial services, were already a bit ahead of the game in this regard — AI investments with an eye toward rewriting the infrastructure of connectedness were already well underway even in pre-pandemic times. Retail players, on the other hand, have gone from gingerly sticking a toe into the water to diving in full force.

Historically slow segments like healthcare have remained somewhat "laggard," Jha said, as they've had to juggle a lot of priorities over the last year or so. But even there, he noted, the captivating power of connectedness, guided by AI's data-interpolating power, is starting to make a visible difference in how it is provided.

And then, Jha explained, many of the things powered by AI don't get a lot of headline coverage, but are changing the ways business is done across verticals. Some examples include home appraisals being done by drones instead of human appraisers, farms getting assessments of things like fertilizer and food needs for their crops, and credit evaluations to make sure that more of the right people are matched with the proper credit limits.

Use cases tend to spawn additional use cases when it comes to AI, said Jha, creating connections between systems and infrastructure that have never before existed, and creating interactions that are smoother, more seamless and also safer and more secure than they've ever been.

"There is always some mistrust in new technology," Jha said. "And so the more [AI] can provide value, the more we can provide these seamless experiences. Consequently, the more we can make the business commerce as good, if not much better than, physical experiences, we will have more and more adoption."



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## Building Trust

But building that trust among consumers isn't just a matter of commonality — it's a matter of building it in a way that respects user privacy. It's about being transparent with consumers and making it clear when and how their data is being harvested and applied — but it has to go further to ensure that the right entities are harvesting the right data.

The weather app, for example, doesn't need an exact location to access information for users in the same way that a navigation app does. Simply entering a zip code should be sufficient — and if apps are forcing users to give up more specific and personal data, that is something of a misuse, said Jha.

The more we can build into AI systems, the better the systems will run and be trusted by consumers. Building an AI system to that standard won't be the work of a single entity or set of legislations and regulators, he said, but a team effort between developers and government. Regulation isn't going to solve the problem, given how it tends to fall behind technological innovation — but it can and likely will set the parameters that innovators can work within to build the next generation of AI's data modeling capacity, said Jha.

Today, he said, as companies want to expand their access to data, they must also expand their firms via acquisitions — the shoe company that buys an accessories firm and an apparel startup to build out a conglomerate, for example. Part of that is driven by a desire to attract a bigger client stream with more products, but part of it is looking to grab access to a richer set of data to build on. The acquisitions are necessary, said Jha, because today's AI models are built on unitary data streams — but in the future, that won't necessarily be the case.

"If you really think about it, technology and AI, in particular, can stitch together multiple corporations very easily, where you don't have to actually own every piece, but you can provide a service," explained Jha. "The model can be created in a way that the data stays with each corporation, but the model actually can access those data points and include them. I think as we can leverage the data from multiple corporations without explicitly transferring and sharing the data and bringing it to one place, that is going to be compelling."

This remains a new and emerging area of research, Jha said, but one that will hopefully emerge over the next few years so that companies can share some data. In fact, the future of the connected economy depends on it, as it powers a lot of separate ecosystems being able to sync up and act as one when it comes to serving the consumer in a way that delivers convenience without feeling intrusive.

**STERLING PRATZ**
CEO

# CAR IQ TURNS THE CAR INTO **A CONNECTED COMMERCE PLATFORM**

One of the goals of the connected economy is to turn simple things into payment mechanisms.

Homes, for example, will become connected commerce command centers. Appliances will become part of the Internet of Things (IoT) payments platform. And cars will connect their passengers to everything from work to entertainment and more.

It's the "and more" that becomes intriguing. What if the whole car could become a payment vehicle? It's a question that could not be left unanswered by the team at Car IQ. The company has developed what it said is the first payment solution developed for vehicles and passenger car fleets that enables the vehicles to transact directly with card networks, banks and service providers. Its underlying technology is based on a patented machine identity verification process that enables vehicles to automatically initiate payments for services such as tolls, fuel, parking and more.

As CEO Sterling Pratz told PYMNTS Karen Webster, Car IQ is all about using the power of technology to automate fleet management. For companies with a large automotive fleet, handing out cards to all their drivers is “kind of a pain” from a management standpoint, he said. Fleet managers have software, but software that looks and functions a lot like an Excel spreadsheet and takes 30 to 90 days to accrue their vehicle expense and capture payments that might have happened through third parties like toll booths or gas stations.

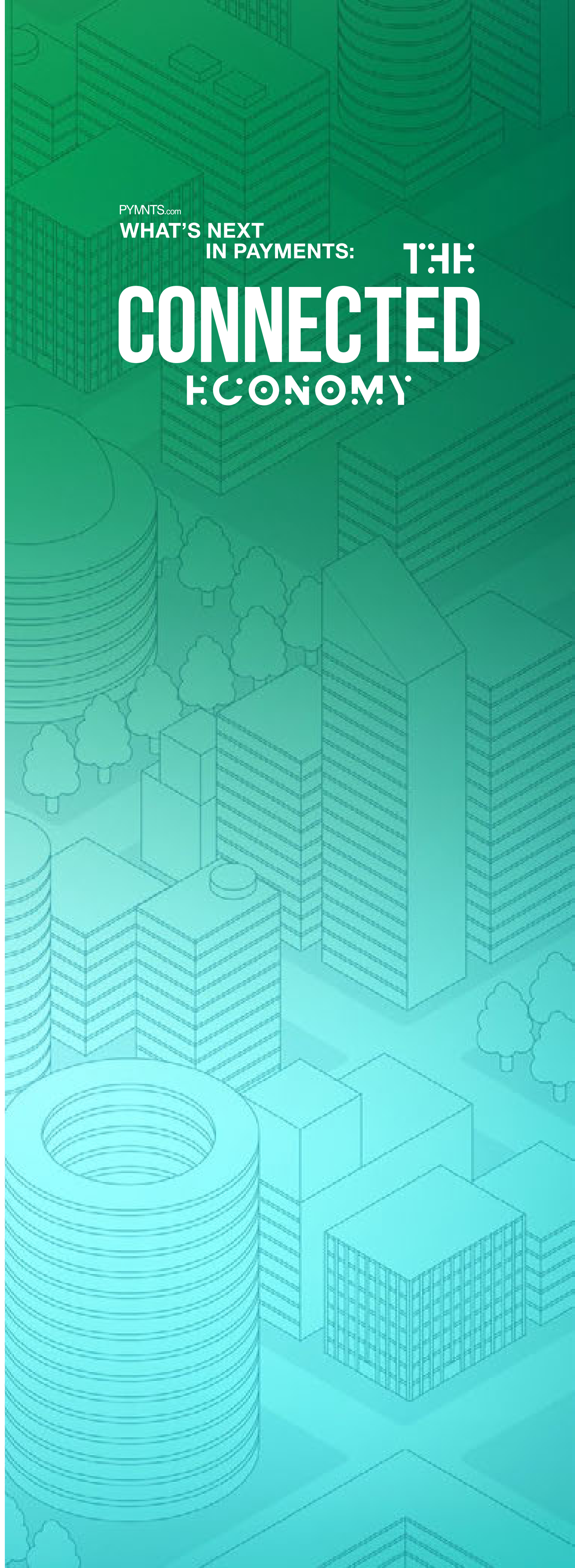
But replacing cards with connected cards isn’t simple work; it required about four years of effort around rethinking what a payment looks like when one connects a machine directly to a bank and figuring out how to create trust between a car and a bank.

“It was a lot harder than one would think,” Pratz said. “We spent many years developing identity verification because we didn’t want to do it in a way that only Silicon Valley would accept. We wanted to do it in a way that a bank or a payment network would accept it. And that’s a pretty high bar.”

A high bar the company managed to clear by rethinking the know your customer (KYC) process — which is about connecting a consumer to an account — and redeveloping it around a new notion of KYC: know your car. This version of KYC analyzes all the data within a car and uses it to create an identification based on data features unique to a vehicle. With its new notion of KYC, Pratz said, the car’s identity itself can be used to authenticate a payment and communicate directly with a merchant or with payment networks simultaneously.

And it works. Today, CarIQ has automobiles creating “thousands and thousands” of transactions at toll booths and parking lots and paying for brick-and-mortar services like tune-ups, brake jobs and tire changes, he said. The No. 1 request Car IQ gets is for the ability to connect cars directly to gas pumps, something the firm has started doing, making it possible for fleet vehicles nationwide to connect directly at the pump and pay without a credit card.

Not only is this a more secure experience for fleet drivers, who know exactly what charges are being made on exactly what vehicle with far less room for abuse or misuse, they also get a real-time view of their expenditures instead of having to endure a 60- to 90-day true-up process. It is why building the platform was hard work, Pratz said. Persuading



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B2B clients to use the platform, however, was not.

"The fleet guys really liked the product," he said. "In fact, most of them were asking, 'How soon can I get it? When can I start connecting my cars?' The more fascinating question was, 'What features did they want to pay? This one surprised me: almost everybody was identical in the list."

Pay at the pump topped it for everyone, with features like the ability to pay tools, ability to register at the Department of Motor Vehicles, the ability to pay fees and parking tickets, and the ability to pay for insurance and maintenance services all nearly universally making the list.

And while the potential for customers is vast and still being developed, as the company works more with original equipment manufacturers (OEMs), the wider potential for Car IQ's version of connected car tech becomes increasingly apparent.

Right now, he said, manufacturers are caught between two choices when it comes to connecting their cars, Pratz said. They can partner with a Big Tech player like Amazon or Google to embed the tech, and then run the risk of losing the central part of the relationship with the customer. Or they can try to build it themselves, a tricky feat for non-technologists that is more likely going to end up with a feature that is a bit "clunky" and will probably require a user to go through too many steps downloading a new app and loading payment data into it.

"The OEMs are very interested in this," Pratz said. "They ultimately want to create a luxury payment experience for their customer that simply allows them to push an icon on the dash and pay for something. And we're definitely getting requests for that because the OEMs want to own and control the payment experience. And they want to offer a very personalized payment experience through their eyes to their customer. That's what we're allowing them to do."

At the end of the day, consumer drivers and fleet managers want the same thing when it comes to connected cars: ease of use and convenience. So, when it comes time for the car to pay, there is no new task the customer has to complete, no app to download and no password to enter. The car identifies and authenticates itself.

That means the roadmap for Car IQ in 2021, so to speak, is all about scale, connecting more cars and enabling more types of payments made from the open road. Connected cars are the future, Pratz said, and done right, they will make the ride smoother for everyone.

"The goal is payments can now be used to create a very personalized experience with the owner," he said.

# COVID-HARDENED BUSINESSES WILL LEAD POST-PANDEMIC CONNECTED ECONOMY

**KRISTIAN GJERDING**

CEO

CELL POINT DIGITAL

To focus only on the outsized impact the coronavirus inflicted on the travel industry would be a mistake, CellPoint Digital CEO Kristian Gjerding told Karen Webster in a recent Connected Economy discussion, noting the importance of acknowledging the many advances we've rapidly adopted for the benefit of people and the planet.

"The response has actually been amazingly and really fast. The fact that they got all this cleaning, turning the planes around, keeping passengers safe, getting these digital tracking features just shows that where there is a will, there is an ability to respond," Gjerding told Webster.

That ability was hampered somewhat by the massive hit to their business the pandemic carried along with it. The airlines, he said, as they have many times before, are going to have to redesign their footing in terms of consumers coming back. But those consumers will come back, he said, because the reality is that you simply can't see a Caribbean sunset anyplace but the Caribbean, no matter how high resolution a video you look at. In many causes, there is just no substitute for being there — and as consumers come back, what we can expect to see is "a lot of innovation."

Innovation in booking, innovation in payments, innovations in loyalty — the industry is going to see significant change, with artificial intelligence (AI) putting the traveler at the center and operating from a digitized perspective where the simplicity of a transaction and the experience end-to-end is going matter more than it ever has.

"I think a lot of innovation is going to come into it. And I think that the operators who have the bandwidth to go there fast will win in the end," Gjerding said.

## The Innovative Future

Looking at Uber and how it disrupted the taxi business nearly out of existence over the course of a few short years, Gjerding said, how it happened is very obvious. Taking a taxi was a lousy experience, calling a cab company didn't always yield a cab, paying with a card was often impossible and on the whole it was as far from customer-centric as could be. Uber's real innovation, he said, was to recenter the consumer in the transaction — all they had to do was enter an end address and a payment method, and Uber did the rest of the work.

And that, in a nutshell, is the challenge every business must face as the economy is restarting — how to center the consumer in the commerce experience and leverage the technology of the connected economy to do it.

"I know airlines are looking at all different kinds of ways to partner up for new services to be part of the entire flow, so you create a single process for the traveler to get everything they need," Gjerding said.

Bundling in travel, he noted, is far from new — but what is happening in the connected economy outstrips what we knew before. Being able to book a flight and a meeting space for business at the same time, or being able to attach appropriate cancellation insurance, or arranging to have all of a traveler's meals prepped and delivered to their hotel room while they are booking the room. It also means being able to access necessary information — what COVID-19 restrictions are in place at a destination, what cleaning protocols are place and all the other information consumers want and need as they are booking travel that they can still have a very fragmented experience trying to put all together.

The connected future of travel, he said, will put all of these transactions into a single flow, manageable by a consumer in a single place. Instead of a bunch of disparate processes, the connected future of travel will better streamline all of that into a single process.

## The Brave New World

This pandemic is coming to an end, but odds are good, Gjerding told Webster, that this isn't the last pandemic we are going to see in our lifetimes. The new reality is that we may just need to accept that this is something we are going to have to be able to deal with that reality without shutting down the global economy by sending everyone home for a year.

"I think we need to just accept the fact that this is something we've got to be able to counter on a permanent basis, and we're not going to be able to keep a society separated like we have done in the past year — we'll kill everyone. And I do believe that operators who are capable of incorporating a whole range of services and who can incorporate that in the entire journey experience end to end are the operators that are going to winning going forward," he said.

**SCOTT BOATWRIGHT**

Chief Restaurant Officer

# CHIPOTLE MOVES BEYOND THE BURRITO TO CONNECT CONSUMERS WITH **NEW EXPERIENCES**

Where some people see chaos, others see opportunity. It has been a defining characteristic of successful companies during the pandemic, during which consumers have come to expect efficiency and convenience more than ever. They have an active desire to engage with the connected economy, as technologies work together to integrate disparate routines into a seamless flow. In the restaurant space, Chipotle has been uniquely positioned to seize this opportunity, with its leading mobile presence, its contextual digital marketing activations and its personalized loyalty programs engaging today's ultra-online consumers.

"We made investments early on in our tech stack specifically to ensure that we were able to create the right access for our consumers to connect with our brand," Chipotle Chief Restaurant Officer Scott Boatwright told Karen Webster in a recent interview, as part of PYMNTS' ConnectedEconomy™ series. "… I tell you, we took inspiration away from Uber on ease of use, and then stole inspiration from Nike around customization to really create what I believe to be a best-in-class app experience."

The numbers certainly support Boatwright's claim — by the end of 2020's fourth quarter, the restaurant chain's digital sales had grown 177.2 percent year over year, and loyalty membership had more than doubled over the year, growing by 10 million to reach 19.5 million enrolled members.

## Designing Around Consumers' Evolving Needs

"The brand started as this fast casual concept, traditional in-line or in-cap restaurant model," explained Boatwright, "and it has evolved over the last several years to really meet the needs of the consumer where they are."

Chipotle has been redesigning stores to better integrate into consumers' increasingly digital lifestyles. In November, the chain opened its first digital-only store, which functions much like a ghost kitchen, except that it also has a consumer-facing pick-up lobby. Even before this, the chain had started separating its on-site order prep from its digital order prep back in 2016, by Boatwright's estimation.

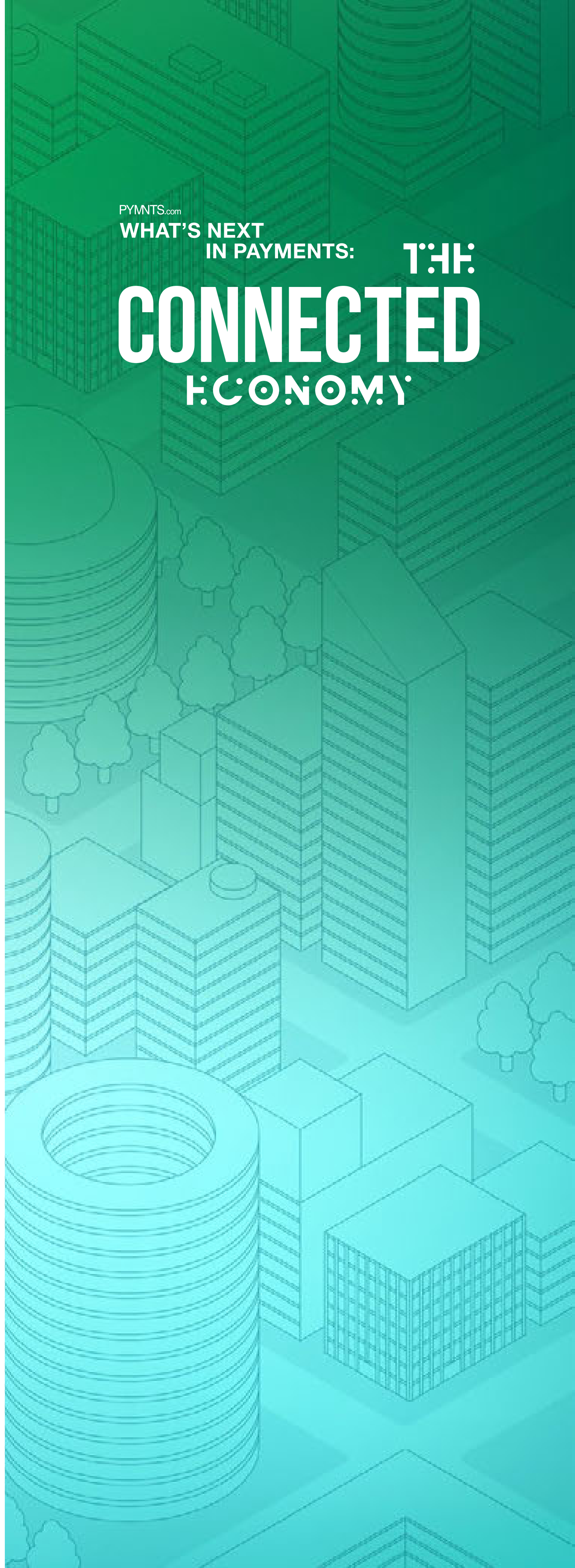
"The goal there was to create a unique experience that wasn't disruptive to the traditional experience inside of our Chipotle restaurants, which I know a lot of brands are facing today, and it creates a friction point, not only for the consumer, but also for the team member," said Boatwright. "I think it was fortuitous … that we had the ability to see where the consumers were going … and begin to place investments … to ensure we met the needs of the consumer."

The company also recently announced its intention to include mobile-order drive-thru lanes, Chipotlanes, in 70 percent of new stores, building on the success of its digital channels. Boatwright noted that these lanes were able "to create another access point for the consumer where they didn't have to get out of their car," adding that they allow consumers to "get their meal in a matter of seconds." He believes that these digitally integrated drive-thrus are a "game changer."

"We now consider that that digital drive-thru of the future," said Boatwright. "And I know there are a lot of brands today that are larger that have your traditional drive-thru experience that are entrenched … and I think they're going to struggle."

## Meeting Consumers Where They Are

This goal to "meet the needs of the consumer where they are" extends beyond store design and the Chipotle



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app experience. It has also involved contextual marketing activations — for instance, partnering with e.l.f. Cosmetics to create burrito-inspired makeup, engaging beauty-conscious consumers at the e-makeup store, and collaborating with global gaming sensation Fortnite to create in-game branded experiences.

Of the latter, Boatwright said, "I don't know that there's a better consumer to really target. It's a growing universe of people who are fanatic about the things that they want in their life. I think Chipotle has a natural extension to the gamer that is obviously probably spending more time in front of their TV sets or computers than they probably should, but are also looking for, you know, brands that they can engage with … This is just a natural extension for us to reach a consumer that as a lot of a lot of affinity for the Chipotle brand already."

He added that the company is "endeavor[ing] to create a brand that's a lifestyle brand … we're showing up in fashion, we're showing up in sports and entertainment."

This focus on meeting consumers' needs across digital channels has been enormously successful, as evidenced by the company's strong digital performance. Boatwright noted, "When you add in the fact that we've leveraged technology in such a unique way, and that our team continues to drive innovation through our technological platforms to ensure that we have a best-in-class experience that is frictionless for our guests, I think we've created a pretty significant moat, if you will, around the business today."

### Personalizing The Experience

PYMNTS research has found that personalized digital ecosystems are key to driving digital ordering, meeting consumers' expectations, encouraging restaurant customers to spend more each month and even converting infrequent customers to loyal fans. Chipotle has always been a leader in the loyalty space, customizing the digital experience based on consumer data.

Boatwright told Webster that "the goal is to really get our light and medium users to a higher frequency." He added that this goal became especially relevant in the last year, as the app's user base grew about two-fold to 20 million members. By offering this user base a data-optimized, individualized experience, the restaurant chain can play to its strengths, building relationships and driving loyalty.

"We're thinking about, how do we personalize the experience, right?" Boatwright said. "And so we're working to take it beyond a commerce platform, to an engagement platform, where when you come into our program, we can tokenize your experience and then tailor the experience specifically for [you] … You feel like the brand is talking to you personally and meeting your needs in a really unique way … [which] I think is a core competency of our organization."

**JEREMY ALLAIRE**

CEO

CIRCLE

# THE CRYPTO ECONOMY PREPARES FOR ITS BROADBAND MOMENT

There has been no shortage of economies in the payments and commerce business to discuss over the past decade. We've had the internet economy which morphed into the digital economy that results from the billions of online interactions that happen every day between devices, consumers and businesses. We have the connected economy, coined by PYMNTS, in which the innovations in technology, connected devices, software, payments and cellular technology make it possible for people and businesses to connect with each other and do business via any device, an in any digital or physical location safely, securely, and in real time. Unfortunately we have had the pandemic-driven economy, which will hopefully continue its evolution to the post-pandemic economy.

But are we ready for a new economy? Jeremy Allaire, CEO of crypto-exchange Circle, told Karen Webster in a recent conversation that we're headed to a tipping point with what he calls the crypto economy. He sees it in its early stages and well on its way toward ubiquity.

"You could see how powerful the Internet was, and that it was likely to become much larger," said Allaire. "You just needed some breakthroughs in technology and societal acceptance before the real economy and Internet economy were sort of 'mashed.'"

As he put it: There's a new economic system that is being built from the ground up on top of public blockchain infrastructures. And just like with any other economy, there are various forms of portable units of trade, of commerce, of exchange for goods and services, in this case ranging from bitcoin to various stable coins, to smart contracts.

"There are key pieces of infrastructure that have to fall into place that kind of light this up around the world," he said, for cryptos to reach their "broadband moment."

We're getting closer to using cryptos more widely to transact, he said, pointing to recent announcements such as the one by Visa to adopt USDC as a settlement technology across its core network. PayPal, in another example, has said that it will accept bitcoin for merchant payments. As neobanks and leading digital wallets – the Venmo users of the world – latch onto cryptos, this economy will scale rapidly, he said, with or without intermediaries.

## Voting With Dollars and Attitudes

Governments, particularly central banks, are grappling with what it all might mean (some of those "high priests" of economics, he said, are even lashing out against cryptocurrencies with downright fear and hostility).



"For the last hundred years or so, we've lived in a world where there's been a significant amount of government 'management operation' over some of these key pieces of the economic system," said Allaire.

As Allaire noted, it was inconceivable that an individual in one part of the world would be able to use a device and broadcast, live, to anyone else in the world.

"Governments around the world in 1996 would have said, 'over my dead body. We control the airwaves. We control and give licenses This is my country, these are my rules,'" he said, "but ultimately people voted with their dollar and they voted with their attitudes…The government institution is a vessel for society. And so it will adapt to what society deems to be a better form of organization."

Along with the technological infrastructure, he added, the regulatory infrastructure is improving too. "Policy structures are taking shape all around the world that acknowledge this as a legitimate, fundamental infrastructure -- and how people should deal with the highest risk issues.»

Now, as then, individuals and businesses are voting with their dollars and their attitudes, and the crypto economy is taking shape with speed, said Allaire, existing at present as a $ 1.5 trillion phenomenon (as measured in market cap). Circle's own USDC stablecoin, he said, has through the past 12 months done half a trillion dollars of payment volume on blockchain.

"That's about half of PayPal's total annual payment volume," he remarked.

To get to that ubiquity that we've seen with the Internet, the crypto economy is going to need the same improvements in infrastructure that brought into being the mobile device that connected to broadband and enabled the business model innovations that surprised us all.

"We're looking at infrastructure changes that are unfolding right in front of us -- right now – for the crypto economy," he said.

## Blockchain 3.0

Welcome, then, to Blockchain 3.0, which is taking shape right now, which Allaire said are "widening the pipes" much in the way that broadband did for the Internet.

"All of a sudden you can build apps that hundreds of millions of people can interact with. You can move value in milliseconds for a fraction of a penny. And so the breakthroughs that are possible, that people imagined becoming possible, are now arriving," he said.

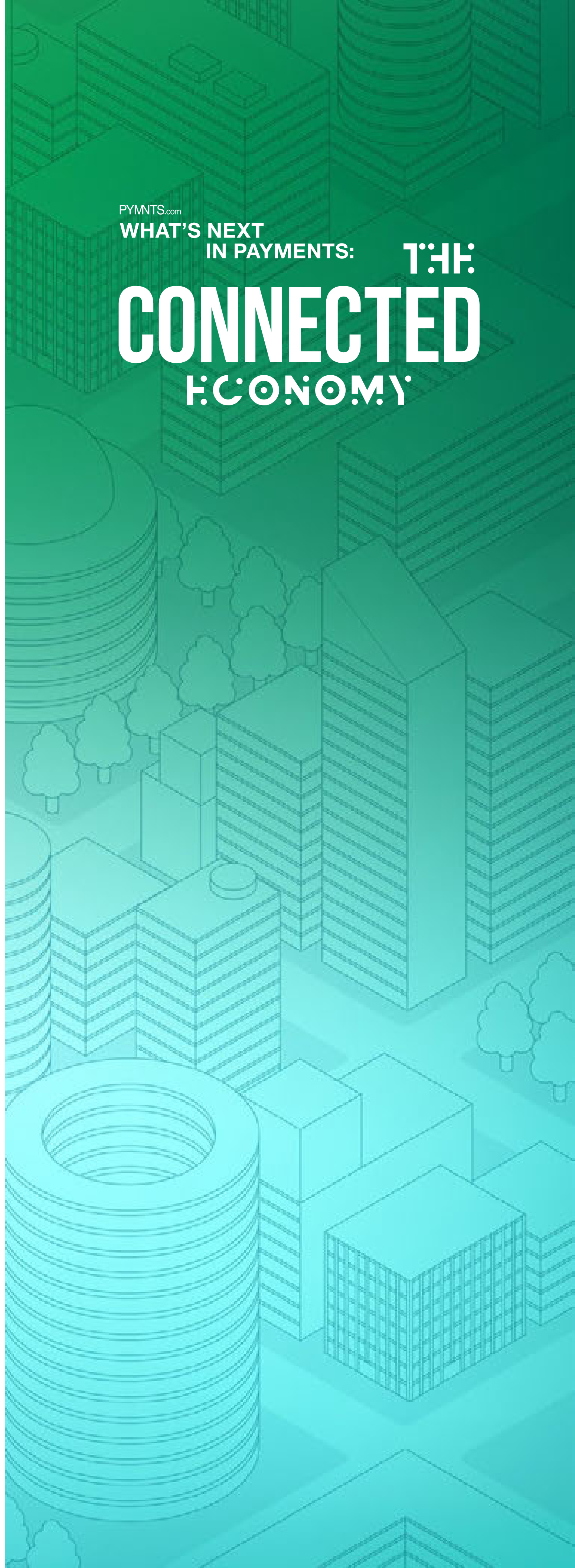
The tech and regulatory tailwinds are driving the innovations, such as stablecoins and non-fungible tokens, that point to methods of monetization that were one mere flights of fancy.

"You're seeing the birth of interest rate markets where people can borrow and lend through a machine on the internet," he told Webster. "And that's really dramatic...it opens up access to financial services, potentially, to far more people than have had access before."

As to that access itself: Though the conventional wisdom holds that the crypto ecosystem needs no middlemen, Allaire maintained that "intermediaries are going to be really important because most people don't want to run their own data centers. Most people don't want to worry about archiving and backups and the cryptographic keys that go on with [digital] money."

Today, the firms that act as intermediaries, who act as the custodians that provide a bridge between the existing banking system and the crypto world ae regulated financial institutions who must abide by consumer protection and anti-fraud mandates. Along the way, he said, global prosperity can be improved through programmable Internet commerce, through smart contracts, and the fruits of intellectual property development yet to come.

By the end of the decade, he predicted: "We'll live in a world where a large portion of the Internet economy is transacting in a new global digital currency, where financial services are delivered by autonomous software machines running on the Internet," he told Webster. "We'll see a larger percentage of the commercial relationships that exist between businesses executed in code, enforced by machines running on, on this infrastructure."



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# J.P. WHITE

Senior Director of Technology, Stores and Omnicommerce

# DICK'S SPORTING GOODS BRIDGES THE **BRICKS AND CLICKS** RETAIL DIVIDE

Sixteen months into the pandemic-fueled digital shift and the role of the physical store is undergoing a relevance makeover of its own, with forward-looking brands and retailers re-visiting their brick-and-mortar strategies to make a more cohesive, inter-connected shopping experience.

Dick's Sporting Goods, for example, is not only building new locations, but is also rolling out a line of House of Sport experiential stores with turf playing fields, climbing walls, batting cages, yoga classes and a host of other features designed to make the store more than a place to simply purchase fitness equipment.

As Dick's Senior Director of Technology for Stores and Omnicommerce J.P. White explained to PYMNTS, the store is hardly a sideshow for Dick's, it's the centerpiece of the retailer's business and will remain so, even in the wake of shifting consumers purchasing preferences.

In fact, he noted, the company's 700-plus physical stores are an important part of that Dick's journey into the digital arena.

"Stores are just such a critical component of our overall strategy and to our organization. So even throughout the early onset of COVID here in the States, we were able to leverage our store network as a key fulfillment mechanism for ship from store," White said. "We were able to rather quickly spin up our curbside pickup and our curbside return capabilities, leveraging that store network. The truth is, we wouldn't have been able to fully be as fully responsive to the markets and to the larger shifts in trends without them."

### Staying The Course With New Partnerships

The plan for 2021, he said, is not to change course when it comes to its focus on stores, because they are so critical, but to expand what the company can do to make them a complement to shifting consumer preferences toward the digital space. Doing that, he said, will be about leveraging technology to create digital experiences that bring in more customers with a full unified omnicommerce experience for Dick's customers.

Critical to that expanded omnicommerce vision, he said, is Dick's partnership with payments firm Adyen. Announced earlier this year, the deal will allow Dick's to build a more fully unified commerce experience, he said, so consumers have the same shopping experience online, through an app or in-store.

"With this partnership we feel very confidently that we can iterate based on consumer demands, based on market conditions and really build solutions together that will allow us to meet our customers' needs as they continue to shift," White said.

Because that shift is underway and almost certainly guaranteed to continue, he said. Building into the connected economy, he said, has given Dick's an opportunity to really dig down into its data and find new ways to connect with customers. Those customers, he noted, are a rather widely varied group. Though Dick's collectively refers to its customer base as "athletes," the reality is those athletes represent both parents coming in to get their kids' first set of cleats for the rec league soccer team, and dedicated cross-trainers seeking specialized equipment for their routines.

### Prioritizing Personalization

White said personalization remains top of mind for both of those distinct customer personas, and the many others, and developing mechanisms to help those shoppers feel seen and understood "while also not achieving a kind of big brother is creepy factor" is a critical priority, and one that is enhanced by the retailer's loyalty and rewards program.

"We're going to continue to invest in those programs to drive a deeper understanding of our most valuable consumers and athletes, and then use that information and their preferences and their feedback to help identify what other experiences that we should create within our stores and online," White said.

Some of those are emerging now, he said, noting the sudden spike in interest using contactless payments in store has seen in the last year as consumers concerned with their health prefer not to fuss with pin pads. Some options, such as buy now, pay later (BNPL) — through Affirm, Afterpay or Sezzle — are growing quickly. Not quite fast enough to be called a "dramatic shift," White said, but fast enough to be notable and worth keeping up with.

Because the education of the last year and the great digital shift hasn't been to abandon the physical world of commerce as a zone of hopelessness, he said — the lesson was that being nimble and ready to do more and do things differently is everything.

"To really get ahead," he said, "we learned to build things into experiments and through that experimentation identify where the things that matter and where it makes sense to invest more and invest next."



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**HILL FERGUSON**

CEO

dr. on demand

# WHY IT TOOK A PANDEMIC TO BRING **HEALTHCARE** INTO THE CONNECTED ECONOMY

It took a pandemic to bring healthcare into the connected economy. Before the pandemic, the ability of a consumer to access a doctor via a connected device was minimal. In 2018, the American Hospital Association endorsed the expanded usage of telehealth and noted that the practice needed additional research before it could treat many disease states. For that year, about 25 percent of U.S. consumers had accessed healthcare and their doctors through a connected device. In 2019, doctors started to warm to the technology, with 77 percent saying they had used telehealth, but only sparingly, 1-2 times per month.

Enter a global pandemic. The U.S. Centers For Disease Control and Prevention had reported that telehealth usage spiked 154 percent by the time the pandemic had become a serious health issue at the end of April 2020. Now 41 states are actively pursuing new regulations to keep the connected version of healthcare going after the pandemic fades.

While the pandemic may have prompted the expanded use of telemedicine, it certainly seems like it's here to stay. Patients have discovered the ease of a doctor's visit from the comfort of home rather than drive to a facility, park and then wait in a room with other sick people to be seen. Beyond simple convenience, though, there are other elements of telemedicine being built out to make it a more attractive healthcare option. As Hill Ferguson, CEO at integrated virtual care provider Doctor On Demand, told Karen Webster recently, the connected healthcare economy can't stop at telehealth as its crowning achievement.

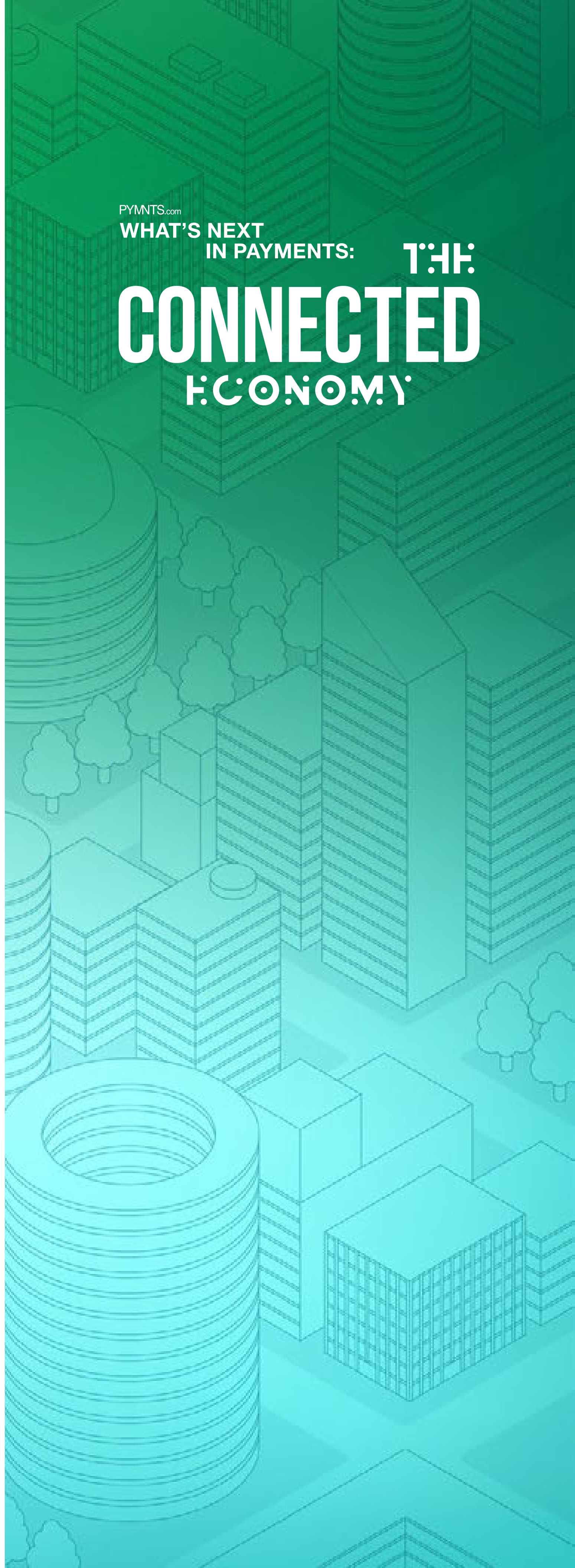
Founded in 2012 as a telemedicine company, Doctor On Demand is now moving to include more services. In May, it announced a merger with Grand Rounds, a platform that helps guide patients to medical care and help them navigate insurance and payment issues. The combined company can provide more than just a video-consultation platform; it can also provide patient care and wellness services.

"We have a very robust mental health practice and a very robust primary care practice," Ferguson told Webster. "And now with our merger with Grand Rounds, we have a concierge that can get you an expert medical opinion. It can provide you with healthcare navigation across the whole spectrum of your questions around health care, whether it's how much a patient's deductible is to what's the best place to get a hip surgery and how much it will cost."

### Getting Transparent

Ferguson said that beyond offering a total health experience on Doctor On Demand, other services had become part of its business model. One of the top additions has to do with payments and pricing transparency. Doctor on Demand provides its services through employers and health insurance companies and also offers them to individuals. In all instances, Ferguson said, the consumer knows what the charges will be and can pay those through a range of payment options, including Venmo and PayPal. This pricing transparency is key to maintaining customer loyalty and making the entire telehealth system more consumer friendly.

"So we've all been to the doctor and paid a co-pay and then gotten a bill two months later for several hundred dollars," he said. "Healthcare shouldn't work that way. There shouldn't be surprise bills. I mean, if every time you shopped on Amazon, you made a payment and then you got a bill a few months later for some other amount would you continue shopping there? You wouldn't think about it. You wouldn't be inclined to engage in that type of activity."



PYMNTS.com WHAT'S NEXT IN PAYMENTS: THE CONNECTED ECONOMY

## Location, Location, Location

Everyone is familiar with the frustration of having to wait days or even weeks to get an appointment to see a doctor. Furthermore, customers who live in rural areas where a trip to the doctor's office might take hours could choose to skip care for issues they view as minor. Ferguson says his platform does away with that, offering another reason why consumers are sticking with the telehealth system.

Furthermore, he says, in today's mobile and work-from-home world, people are moving around the country more than ever. Before telehealth platforms, when a family relocated to another state or city, it usually meant giving up their primary care physician and finding a new one. Now, Ferguson says, patients are free to keep the doctor of their choice on the platform no matter where they live, helping them gain more consistency in their healthcare. This aspect of Doctors On Demand is a key part of how the company views itself.

"We definitely see ourselves as a national practice for primary care and behavioral health," he told Webster. "And, you know, that's really a new concept for most people because healthcare traditionally has been a very local thing. With us, you can keep going back to the same doctor, no matter whether you live in Texas, Oklahoma, Colorado, New York or wherever. This national brand for primary care and behavioral health is really what we see ourselves building as something portable for a consumer."

## Prevention

When asked about telemedicine moving into the preventative care arena in addition to being able to provide critical care and services to the ill, Ferguson said the change in the medical system at large is coming but will likely take time, perhaps up to five years. He says that currently, employers are driving the change because they see an annual hike in healthcare claims between 8 percent to 10 percent and that's not letting them get enough for their healthcare spend. The result is that employers are getting on board the wellness train and demanding better solutions — something, he says, that often drives innovation and the growth of companies like Doctor On Demand. Still, a change in payments will be critical, and with Medicare being such a large part of the system, things could take time.

"The biggest opportunity for our healthcare system is to try to figure out ways to reform the payment models, such that providers are incentivized to keep patients out of the hospital, off medications and away from chronic diseases," he concluded. "And these are the things that traditional doctors don't get paid for, but what drives behavior is the economic incentive structure. So you do need payment reform to give providers the incentive to encourage people to live healthier lives. I think every doctor wants to do that and great doctors do it anyway. But as long as you have a system that's encouraging activity to deliver care and prescribe medicine and do surgeries because that's the only way you can get paid, that's what you're going to get."

**FAISAL MASUD**

CEO

fabric

# WHY FABRIC'S CEO TELLS RETAILERS TO **STOP CHASING THE DIGITAL CONSUMER**

By the numbers, the scope of the digital shift is impossible to ignore.

According to PYMNTS latest consumer survey, 62 percent of consumers that have shifted more digital are shopping for groceries more often from home due to the pandemic and plan to stick with it. Eighty-three percent of those who've shifted to telework want to stay home. And 77 percent of those ordering food more often from mobile apps plan to stick with it even when the pandemic is passed.

But the numbers only tell part of the story when it comes to the change coming to retail in a post-pandemic world, Fabric CEO Faisal Masud told Karen Webster in a conversation for the PYMNTS ConnectedEconomy™ series. What the numbers fail to capture is the size and the scale of the shift that retailers still have in front of them. The post-pandemic retail landscape will be a good deal more demanding than many are anticipating at this point.

"In retail, there will have to be pretty significant changes post-pandemic," Masud said. "It can't be what we're seeing today, where the stores add things, and you can pick it up while you're in the car. I don't really see that as a big deal; that's been happening in Europe and other places for a very long time. I think Southeast Asia is way ahead of the rest of the world and on things like payments. I would argue that the U.S. is even a bit behind than the rest of the world."

Behind and almost out of time to catch up. Masud said from his perspective as a CEO of a headless eCommerce platform, the reality is the next 12 months will look like the last 12 when it comes to consumer behavior. But what's next is coming more quickly than anyone could have anticipated even a year ago — and that has triggered a sense of urgency across retailers. According to Masud, retailers now need to create "a more multichannel connected commerce experience," which starts with asking the right questions.

"Am I serving the consumer? If they're shopping in the store or online, do I offer a single seamless experience?" he said. "Because we do see that omnichannel shoppers have a 2.5 to 5 times more propensity to be attached to the brand."

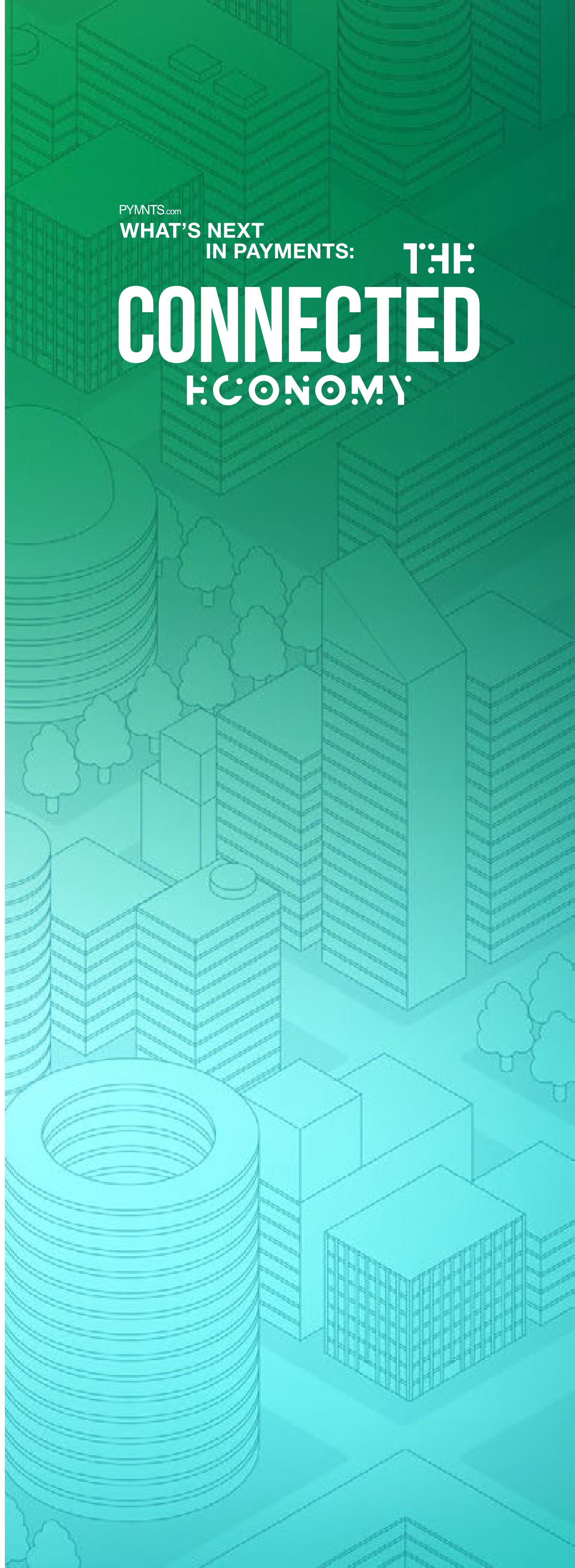
And while there are no single-serving silver bullets, there are some hard-won lessons from segments like grocery and major players like Amazon and Walmart that are at least pointing in the direction of what will start separating the winners from the losers as the economy becomes increasingly connected.

### Grocery's Great Regrade

While the shift in grocery has been profound and will require some major rethinking across the entire segment, Masud said, there is a certain amount of realistic perspective that needs to be applied to the segment. The majority of groceries are purchased in physical stores. While the experience is digitizing and expanding across channels, its destiny is not to become a "majority digital" business.

"I just don't see a path anytime soon, where all of a sudden online grocery is 75 percent of the purchasing path," he said. "I don't see that happening."

But Webster pointed out that some parts of grocery — cleaning products, paper towels and consumer packaged goods (CPGs) — are items consumers have learned they don't need to physically touch before buying. They are just as easily shipped to their front door, which is where the real challenge to digital grocery lies — in the logistics



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of hitting that balance, Masud said. Consumers want the variety and diversity of products to be in that basket either online or in-store in order to make the math work properly.

"Otherwise, the math is completely upside down," he said. "What I do see is grocers will have to wake up very quickly here because that delivery to your door is a real challenge from a business perspective. Yes, you want the consumers to shop whatever they want, but economic viability is an entirely different issue."

The future of grocery is still physical stores, but it's also going to be dark stores that focus on closing the last-mile delivery gap without disrupting the flow of commerce in store, he said.

## Creating Connectedness From Core Competence

The future capturing the potential in the connected economy isn't going to work the same for every player, Masud said. Amazon, with a two-decade head start, is clearly emerging as a winner in the great digital transformation because it has been running so far ahead of everyone else. Among one of Fabrics' value propositions is to help level the playing field, giving retailers access to an application programming interface (API)-based platform that can give them the ability to launch products and features faster every week.

But at a high level, firms like Walmart can't compete against Amazon while trying to chase them, as it has thus far proved to be an incredibly losing strategy, Masud said.

"Chasing Amazon is what's holding Walmart back," Masud said "They need to have their own ideas. Brands need to focus on their core competency and not get too distracted by competition. There's a lot of chasing. Walmart has been trying to chase Prime all day long. But Walmart stands for low prices every day. Like that's their moat. And they kind of got distracted from that."

And those distractions can be harmful, he said. Brands need to think from a consumer perspective and "continue to double down on your core competencies" instead of trying to offer everything.

"A lot of retailers talk a lot about data and being able to see a single source of truth from unified data on a single consumer," he said. "And we always find that big data is a big buzzword, but when it comes down to actually using the big data, not everybody's doing it right. It's one thing to have the data. It's another thing to actually utilize it the right way that is actually serving the consumer."

**BRUCE LOWTHERS**

President, Banking and Merchant Solutions

FIS

# CONNECTED ECONOMY MUST PASS **THE 'MOM' TEST**

Consumers, amid the pandemic, have garnered an appreciation for all things digital. They've also gained an appreciation for simplicity.

And also: When it comes to using data, banks and other providers are going to have to pass the "mom test," as Bruce Lowthers, president of FIS, told Karen Webster in a recent installment of the ConnectedEconomy™ series.

It used to be the case that the daily minutiae of financial life — banking, paying for things, investing, hailing a ride — were all separate activities, requiring navigation of, say, physical interactions or different apps.

Lowthers explained that we're all in the midst of massive behavioral change, and we want to streamline the way those interactions happen. Digital front doors, and the platforms that bring a broad range of activities together, are more valuable than ever.

In fact, we're willing to change our behaviors if we're nudged to do so by example. If we trust who's doing the nudging. Thus, said Lowthers, a huge opportunity is opening up for firms (FIS among them) that seek to advance how the world pays, banks, invests and does any number of things in a seamless continuum — not just for consumers, but also for the businesses that exist within connected ecosystems.

The connected economy is no uniform endeavor, he said. Platforms can enable easier movement between those activities, and COVID has been an impetus for us to change our habits.

## Uneven Evolution

But beware the mindset that one size fits all or that the rise of the connected economy is a global event. As Lowthers told Webster, the world is evolving at different speeds, and habit is a strong force. As individuals, we find a methodology that works for us as we navigate any number of daily tasks — including the day-to-day details of financial life.

Lowthers noted that FinTechs and traditional firms alike can take a cue from the trends emerging in certain countries (super apps like Grab, for example, or buy now, pay later options), whether they are innovation- or regulatory-led. A decade ago, real-time payments began taking root in Asia and have spread throughout the world, coalescing in a range of different domestic RTP schemes.

By and large, Lowthers said, "now, you're starting to see that rapid acceleration into eCommerce, and the exploration of different thoughts around how, why and when you execute transactions during any given day."

Against that backdrop, any number of Big Tech, FinTech and traditional players are vying for a way to extend their reach and to craft these ecosystems. There's no real way to pinpoint whether the giant social media firm, the ride-hailing company or the payments platform will be the pivotal player to serve as the epicenter for a connected economy.

As Lowthers said, it is the entity that finds a way to keep consumers or businesses at the center of the transaction that will find success. "These are the ones that will ultimately win," he predicted, "because [the connected economy] is becoming more and more about the experience."

The experience, he said, is enriched by having payments embedded into different applications, evolving as application programming interfaces (APIs) have come onto the scene and made it easier for developers to innovate. Lowthers pointed to FIS, which has developed several platforms that, horizontally, encompass banking, investing and eCommerce, interconnected in the cloud.

## Data Is Critical

Beyond payments, said Lowthers, the ability to interact with apps and ecosystems with the device of choice has been a key enabler of behavioral change. The intelligent consumption and use of data will be key in fostering new consumer behaviors.

No matter the ecosystem, trust is critical, he said. Consumers need to be able to trust companies — banks, for example — with how their information is collected and used, in a way that monetizes that data for the provider and makes life simpler for end customers.

As Lowthers said, only a bit tongue in cheek: "It's a simple concept of 'would my mother want her data used that way?'"

**EMMALYN SHAW**

Managing Partner

flourish
A Venture of The Omidyar Group

# EMBEDDED FINANCE PAVES THE ROAD TO THE SUPER APP

We're in the midst of a sea change in the connected economy. The shift is underway from apps to ecosystems, with a single digital front door as point of access. The app, then, gives rise to the super app, which lets consumers plan, manage, spend and click their way through everyday tasks spanning money management, commerce, even getting something to eat while hailing a ride.

It's all part of a series of first steps on a digital journey that differs from firm to firm as they create platforms that eventually bring together people from around the globe.

No more hopscotching between apps, then — to the benefit of consumers and small and medium-sized businesses (SMBs), yes, but also the firms that serve them and endeavor to create sticky relationships. In the latest installment of an ongoing series on the connected economy, Emmalyn Shaw, managing partner at investment firm Flourish Ventures (where the portfolio of companies includes Chime and Propel, among several others), told Karen Webster that there's no straight line or simple template to get to the super app. As she noted, PayPal's starting point and progress has been markedly different than Grab's, which has been different than Google's.

With a nod to what ties those and other firms together in pursuit of the end-to-end digital journey, she said, "the global trend that we are moving toward is around embedded finance." She noted that financial services have increasingly become a feature of non-traditional platforms as they seek to build retention and lifetime value of the consumer relationship, across channels, of course.

Payments are fast becoming one of the ubiquitous layers of commerce and interactions that ultimately drive business. Along the way they enable companies to understand consumer behavior in a deep (and real-time) way.

She pointed to WeChat and other companies in China, where the evolution has always been mobile first, where connectivity enabled messaging, and online communities took shape. WeChat, she said, quickly figured out the transactional element that would make those communities sticky, in part by offering QR codes.

"The defining factor was when they added in the wallet," she said, merging messaging with finance, and eventually creating what might be called "social money."

To be sure, the ubiquitous layer need not start with finance (though it leads in that direction), Shaw was quick to point out. One need only look at Google to see that, with its dominance in search, or Walmart's position in brick-and-mortar retail to find evidence of the 'ubiquitous wedge" that brings consumers and SMBs to other adjacent, ancillary services. Search, she said, had existed long before Google, but Google did it better than peers and added ads and email before, eventually, moving to







shopping and to payments (and most recently, through Google Play, banking). Walmart has seen its eCommerce initiative explode and has been staking a position in healthcare.

Want more examples? Grab's starting point, of course, was ride-hailing (as was Uber's), but adding wallets into the mix has become the glue connecting the various points of contact within the ecosystems as they emerge. Amazon, she said, a marquee eCommerce name, has been striving to cement its own physical presence in brick-and-mortar.

## Asking The Right Questions

As the firms seek to scale those interactions and transactions, she said, the platforms must ask themselves key questions — constantly.

"What are the unique products and services that otherwise in the absence of a platform you wouldn't get, what are the better pricings and products?" she asked.

Those are among the most immediate and crucial benefits that accrue to the end users; the companies themselves get access to underlying data that can help them craft new, customized, even hyper-targeted offerings. The platforms must be flexible enough, she said, so that people can develop new offerings on top of them in a bid to serve the end user — an open ecosystem, she said, that can give rise to mini-apps.

Forward-thinking, digital-first firms, she said, need not strive to own everything in the ecosystem — they can choose instead to forge partnerships with other providers. Walmart, she said, has benefitted from the evolution of a "closed garden," but she cautioned the infrastructure must remain open so that ecosystems can embrace the innovation that's required to benefit end users.

## Data's Role

Data, of course, plays an important role in making those connections and building competitive moats.

"Understanding data and insights and being able to identify what the natural path is for that [super app] evolution and then monetizing that and creating different business models on top of that can be extremely powerful and defensible," said Shaw. "If you have an unusual or unique business model, that's very hard for others who don't have it to try to replicate. It's incredibly sticky, and the switching costs are high for the consumer or [SMB]."

She cautioned that there can be downside, too, if these same companies are not vigilant about protecting privacy data protection.

With a nod to Flourish's own principles, Shaw said, "we believe fundamentally that there is this concept of fair finance. We do want consumers to be better off in these kinds of solutions. We want them to feel like there's transparency and trust in these platforms. We want regulation to be forward-thinking and really being embracing technology as it is evolving." Public-private partners are critical, she said.

## Thinking Big

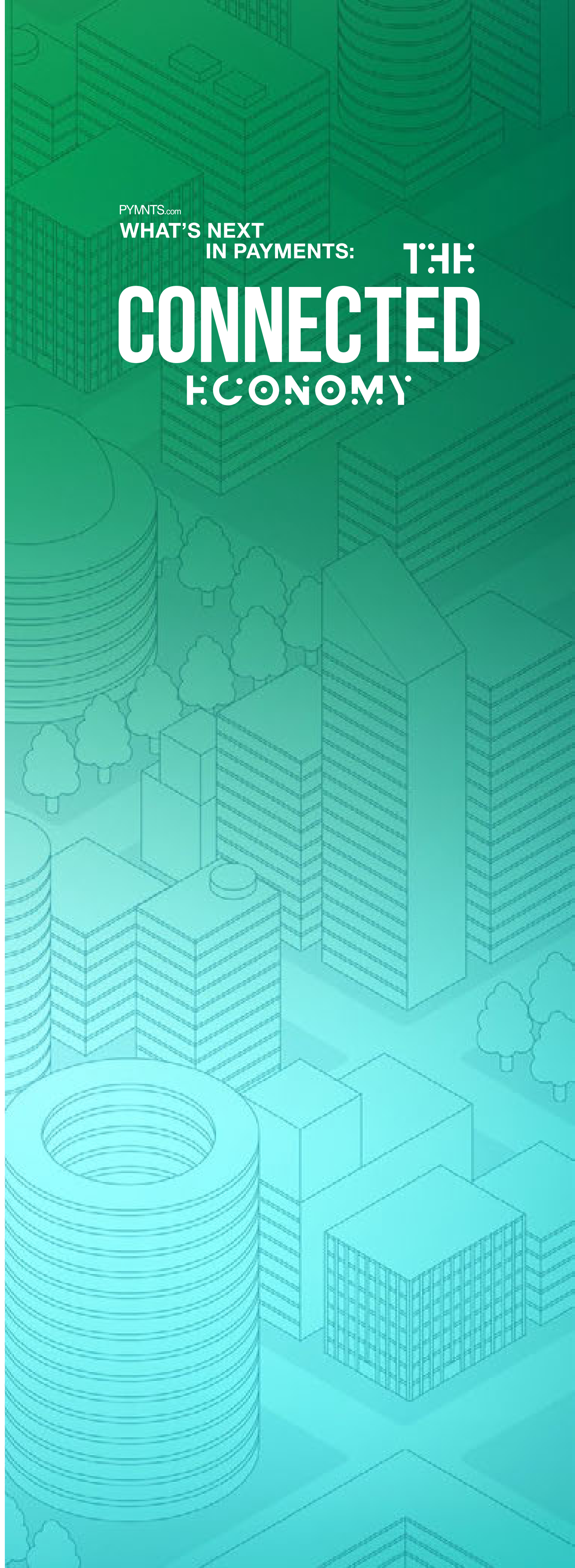
As a guiding philosophy, the problems and frictions the platforms seek to address must be large enough to bring consumers and companies alike to the table to create new ecosystems. Among the burgeoning problems that we'll face on the other side of the pandemic, she said, ties in with the need to reskill — and specifically, upskill — workers. We're moving into a new world of data and automation and there is going to be a massive displacement of jobs and skills, she predicted.

"I think we're going to see a massive shift toward leveraging technology and online courses across a series of sectors, some of which we may not even know at this point. It will be a combination of marketplaces where you›ve got demand, you›ve got services and a real need to kind of think about the monetization layer."

Successful platforms, she said, have been utilizing AB split testing, which enables firms to test separate versions of web pages or app features to see which have optimal conversion rates or UX.

"They're constantly testing what's right," she said, "and they don't wait until it's a foregone conclusion that they should be switching or adding services." And the feedback can come pretty quickly.

As she told Webster, "Technology enables us to do all of this much more thoughtfully and strategically. And I think the ability and the technology shift with FinTech and the enablement layers are creating a lot more easy access for even the smallest startup to start to explore, for example, 'how do I add lending as a service?' We're going to continue to add layers to find the best value for the consumer."



**ROBERT SEBASTIAN**

Co-founder

FORWARD

# FORWARD RETHINKS THE SPIRIT AND INTENT OF **HEALTHCARE**

There is perhaps no other sector in which the ConnectedEconomy™ can bring more benefits than in healthcare. The ability to integrate patient records across providers, simplifying payments, using biometrics and artificial intelligence (AI) to manage wellness promises to improve care and deliver improved health outcomes.

"The things that actually matter for your long-term health tends not to be what we engage in tactically in day-to-day healthcare today," Forward Co-founder Rob Sebastian told PYMNTS› CEO Karen Webster in a recent interview. «So I think if you change the framing from not talking about healthcare, but instead talking about health, you'd actually define the problem very differently."

## Effective Incentives

It's been reported that investments in healthcare startups reached $80.6 billion in 2020. As Webster pointed out to Sebastian, in her experience covering the space, many of the new companies are trying to solve for access and affordability, which can uncover the inefficiencies in how doctors are incentivized to treat patients. While allowing that huge amount of capital is flowing into the business, Sebastian sees an even bigger upside.

"The last year has really proved to be a moment of reckoning for the healthcare system at large," he said. "It's a system comprised of really good people with really great intentions, but I think they're often using the wrong tools and working for companies with the wrong incentives. And so from that perspective, I want to see more investments in something that I think of as literally one of the biggest, most important industries in the world. I think this is a place where you have a chance to truly, you know, positively impact humanity if you get it right."

Sebastian believes one way to cut through the incentive issues is to leave only one in place: Patient health. Insurance payments to doctors as an incentive has been removed. Forward doesn't take insurance, relying instead on a monthly fee which, at the moment, is $150. That has freed the company up to focus on its goals of incentivizing health rather than pleasing providers. The traditional healthcare system, he said, is not incentivized to care about patient satisfaction.

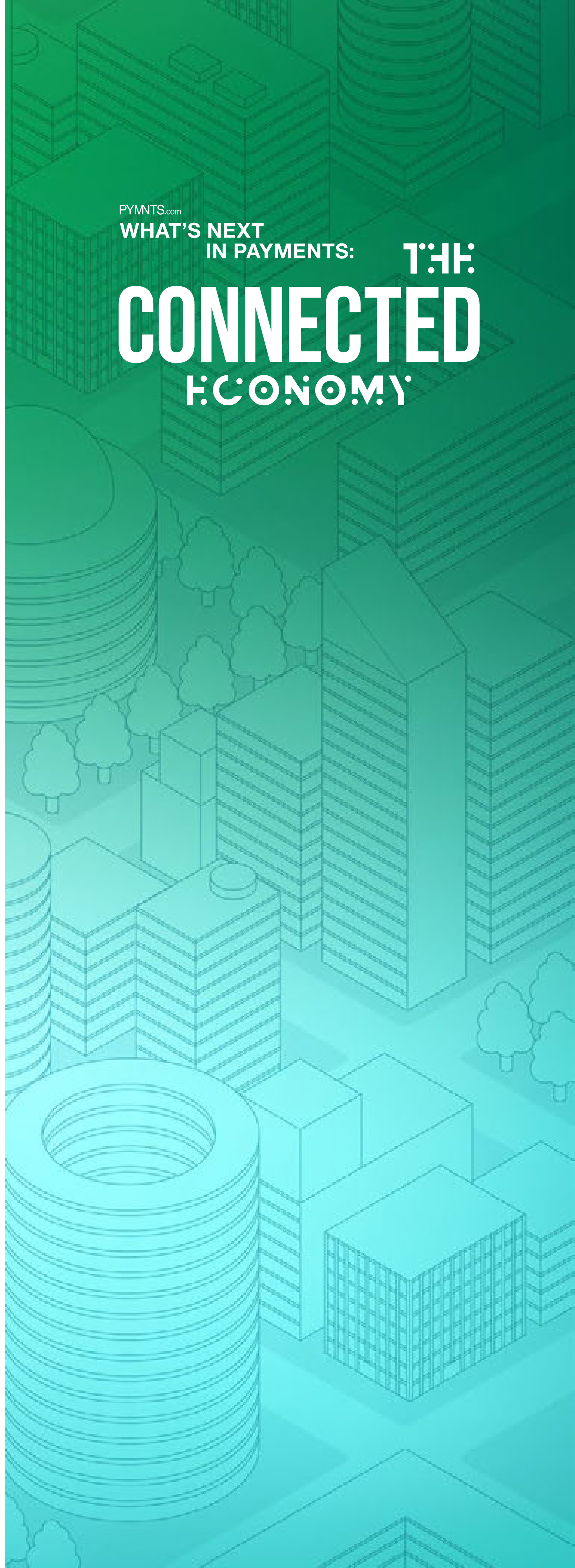
"And the reason is because they aren't paid by you as a patient, they're paid by insurance companies," he said. "And what that means is they're not actually motivated by whether or not you thought it was a fantastic experience, or whether or not you thought that your health outcomes were better. They're motivated by whether or not they filled every slot in the calendar with billable events. The by-product of that is, I think, that we as consumers have [been] conditioned to accept scraps from the table."

## The Forward Take On Tech

That basic definition of "health and healthcare" colors Sebastian's take on some of the key issues affecting the healthcare space post-COVID-19. The first is the usage of technology to transform the patient-caregiver relationship.

"We have all kinds of sensors that help us understand your body, your lifestyle, your exercise patterns and how you're sleeping, plus the fact that we have machine learning that can massively outstrip a human's ability to interpret all those signals," Sebastian said. "And then you build a database as though you're trying to teach computers medicine, not how to bill insurance. Then you have a chance to actually be with someone in the key moments in their life and develop some deep insight about what they care about."

In addition to health monitoring and analysis, Sebastian also said the healthcare world could benefit from stealing another page from the technology sector: psychology. He points out that an incredible



amount of research and development goes into such things as how to get consumers to click a button and wonders why that energy isn't directed into something more meaningful, like helping a person live a better life. "That's kind of a tragedy when you think about," he said. "You take all that knowledge of psychology, user behaviors and design patterns, and you apply it to something trivial. Well, what if you took all of that talent and said, 'let's actually apply it towards getting you to do something to live a longer, better life?' "

### A Focus On Improving Outcomes

Better outcomes are an area at the center of Forward's primary care chain. It aims to connect consumers to those outcomes with a model that focuses on what Sebastian calls health rather than healthcare. The Forward experience begins with a visit to one of the company's 11 centers. A new infusion of $225 million in Series D funding will help expand the number of those locations.

During the initial visit, which lasts about an hour, a full biometric scan is run which, along with blood analysis, can test for more than 500 unique biomarkers. After that visit is complete, patients work virtually with their Forward primary care physician to develop plans based on their biology and goals to become as healthy as they want and prevent the diseases to which they may be prone. Home monitoring equipment keeps an eye on important markers and if more lab tests need to be done, Forward can dispatch a team to the home to gather samples.

Forward's tech-heavy, health-first is well-timed for millennials. In a 2019 survey from Harmony Healthcare IT, it was revealed that 45 percent of those aged between 23-38 had been putting off a health issue and 41 percent of them had been doing so for over a year. And while 76 percent had a primary care physician, 73 percent said they went online for medical advice rather than turning to their doctor. It goes back to Sebastian›s original philosophy: defining healthcare as the occasional doctor's office visit that focuses on short-term diagnosis and treatment for what is usually a minor condition. "Health," he said, should be very different. It should encompass a patent's entire activity and lifestyle, including diet, exercise and sleep. Health, he noted, is very different than healthcare.

### A Different Outlook

Once the focus is on health, not healthcare, the customer experience moves to the forefront and the consumer takes active control of his or her health.

Sebastian said he doesn't want to stake his company on whether it gets paid by insurance. He wants it and the entire industry to succeed or fail on product quality, outcomes and the customer experience.

With that in mind, technology and healthcare access and affordability go hand-in-hand. Technology, he said, is the key to taking a completely bespoke service at present and scale it for the future.

# HOMEBUYING **MAKES ITS BID** FOR THE DIGITAL-FIRST ECONOMY

**DREW UHER**

Founder and CEO

HomeLight

As anyone who has been through the process can readily confirm, buying a home can be a stressful ordeal. Between finding an agent, finding a home, navigating a bidding war on a property, making an offer and getting the whole deal signed, sealed and delivered, it has been a decidedly analog and frustrating process.

It was the process of buying his first home that inspired HomeLight CEO and Founder Drew Uher to launch his firm and introduce technology into the market. He and his wife almost lost out on their dream home because their lender couldn't close on time, he said, and the entire closing process itself was "a mess and a headache."

"The problem that I started with was the agent matching problem. We basically started the business by helping buyers and sellers find the best agents in their area in a data-driven way, with a focus on agents that would sell their homes faster and for more money," Uher said.

HomeLight was always conceived as a tech platform for the real estate market, a concept that was often called "harebrained" in the firm's founding days of 2012, when having a tech startup in real estate seemed like an incongruent idea. But even as the digitization of the real estate market has since gotten a lot more traction, and as HomeLight has expanded its suite of digital tools, its goal isn't to remove the real estate agent from the process, as other entrants in the space have attempted to do.

"If you're buying or selling a home, we believe the best outcome involves hyper-local expertise — someone that knows every home on every street, the other agents in the market, all the service providers and so on," Uher said. "This advice is really valuable, but so is understanding the negotiating dynamics, where one simple move can mean the difference between 5, 10, 15 or 20 percent of the home price, which dwarfs a couple of percentage points here and there for commissioning."

## Keeping Local Expertise

The goal of bringing high-tech tactics into real estate isn't to replace the agent, as their specialized knowledge will always be an important part of the process. The goal is to augment the agents' efforts with a suite of tools that enhances and improves the process for the buyer and seller by removing the traditional friction points that can slow down or even derail the process.

HomeLight's Cash Offer product, for example, allows a consumer who needs a mortgage to still make a cash offer on a house, which makes their offer more competitive and increases their chances of securing a lower price. Using HomeLight's technology and tools, the buyer can make sure the financing process is nailed down and that the funds are ready to go much faster than a traditional real estate process.

Meanwhile, HomeLight's trade-in process eliminates the classic contingency where the buyer has to sell their current property before they can buy a new one, explained Uher. The trade-in option gives homebuyers a guaranteed place to sell without having to wait for a buyer of their own.

"We think it's crazy that in 2021, there are still contingencies in real estate transactions," Uher said. "Contingencies on getting a mortgage, on the appraisal, on selling another property — all of this creates uncertainty for the seller and massive friction in the process."

And that friction can be minimized by tapping into connected technology and opening up consumers' options when purchasing a home, said Uher. He predicted that those options will get increasingly important as 2021 rolls on and the real estate market continues to heat up. As of the time of this writing, inventory is tight and sellers are suffering from a bit of fatigue. The normal seasonality of the market has been disrupted as consumers have suddenly been prompted to closely reexamine the concept of home.

Another such reevaluation is poised to happen soon, as vaccines roll out and COVID-19 recedes into memory. As Uher noted, HomeLight is incredibly bullish on what will likely come next – including how it will continue to advance technology to turn a historically stressful process into one that consumers can honestly say is delightful.

"We're bullish on the economy and job growth, which we think will help support a robust real estate market," Uher said. "A year ago, in late March of 2020, I would have been a lot more muted and uncertain. But right now, we see nothing but tailwinds for the market."

**JIM McCARTHY**

President

# FROM BNPL TO WALLETS, RISING PAYMENT OPTIONS CREATE CLUTTER, ADD FRICTION

Payments have long been the conduit for new and different experiences in commerce. Look no further than the past year as proof as contactless payments, digital banking and digital wallets gained significant traction. Cryptos, too, of course — and bit by bit, we're seeing the rise of the super app, where transactions are aggregated, secured and presented to the consumer in a more user-friendly mobile fashion.

As these connected ecosystems emerge, new intermediaries are emerging as well. These intermediaries can serve as the gateway to new experiences — perhaps even influencing and incentivizing how transactions are done, at least over the long term.

In an interview with Karen Webster, Jim McCarthy, president of digital payment infrastructure provider i2c, acknowledged that intermediaries are emerging that have made it their mission to make consumer payment interactions across these increasingly connected ecosystems less friction-filled. Those intermediaries, according to McCarthy, are in the proverbial driver's seat. To be sure, the role of the intermediary is not a new one. But in the brick and mortar model of commerce, incentivizing consumers to try new payments and rewards options was a bit of a heavy lift.

For example, for Walmart and other large retailers, even those with large installed bases, he said, it was difficult to insert new payments (or rewards options) at the point of sale without introducing new friction. (An impatient queue of shoppers would snake down the aisle while the consumer made up his or her mind at the register). But in the digital age, all stages of the interaction — pre-, during or post-transaction — incentivizing transactions is marked by broad potential. Amazon, for example, has been bringing buyers and sellers together for a long time through a seamless marketplace, marked, of course, by one-click ordering.

"[Amazon] knew that they needed to own the payment rail, and take the friction out. And that led to a bunch of other really smart things like authentication and understanding the customer," he said.

Along the way, they've put the customer at the center of the equation (through, for example, their "A to Z Guarantee" that covers timely delivery). Accepting any card, at least for now, the eCommerce giant has not wanted to incentivize the consumer to shift preference to their own branded payments option or otherwise make changes at the point of sale to nudge them toward different (preferred) payment choices.

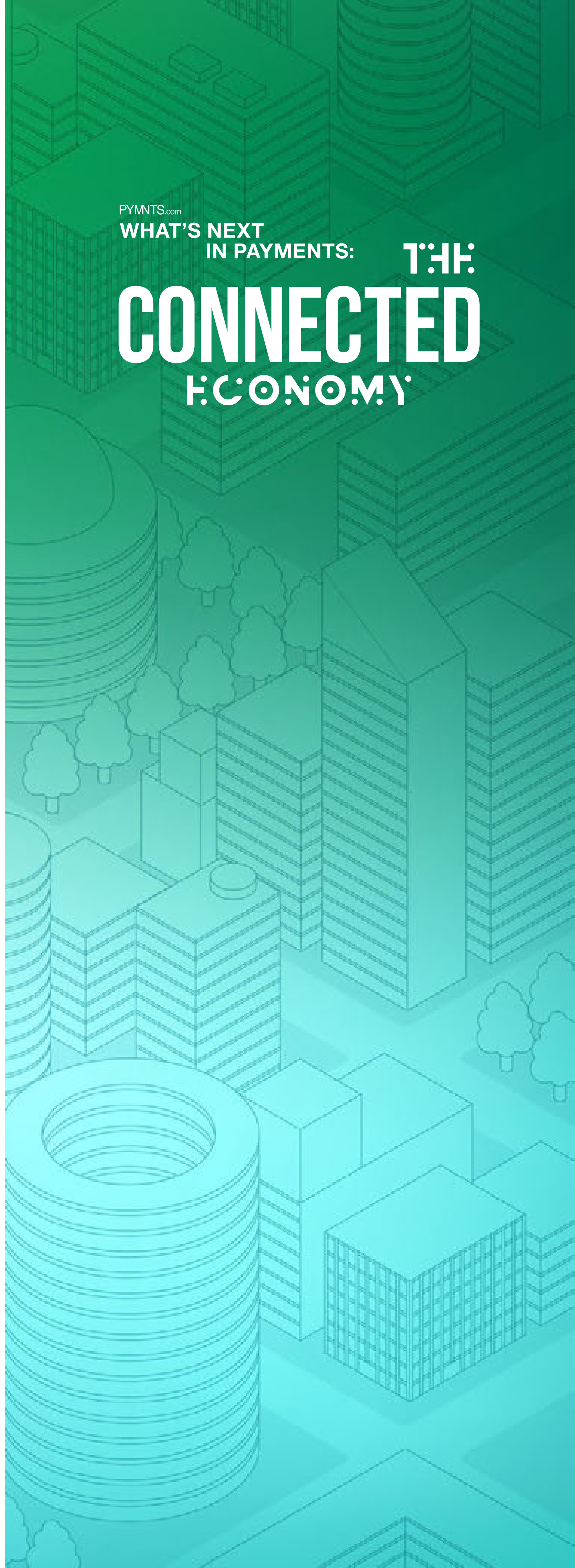
### Ebb And Flow

That was then.

It's an evolution that has a prologue. PayPal fashioned a center of gravity in a walled garden known as eBay — gaining the consumer base to break free from eBay and ignite a consumer/merchant network across the web.

But with the emergence of buy now, pay later (BNPL) and other options, McCarthy said, there comes a point where conversion at the point of sale peaks and clutter can be the unfortunate result. (McCarthy said we're likely to see digital wallets consolidate to just a few major players: "more than four or five, but less than 50." With its ability to protect credentials and give consumers a feeling of control, Apple Pay is likely to remain a major player).

But, "there comes a day where alternatives appear," he said, "and





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we're starting to see some of those alternatives with real-time payments with cryptocurrencies," he said. Amazon and other intermediaries — armed with the consumer's trust — may start to influence those payment decisions in ways that the incumbents may not like.

"We're entering a new phase here where the choices are appearing, the tools exist, this mega kind of eCommerce/app players will have a lot of trust and a large consumer base to work with," he said.

New networks can take shape, of course, without intermediaries — a key selling point of decentralized finance and cryptocurrencies.

"It's a threat, but I wouldn't call it existential," he said, "like a lot of things that were threats in the past, the incumbents do a good job of at least steering them into a space that works well, or at least cooperatively." The "unknown" buyer/seller relationship without an intermediary is problematic (though stablecoins, he said, "are fairly well trusted when they're pegged" to some underlying value).

He noted that even with the advent of bitcoin, there had been an explosion of exchanges and wallets that nonetheless use Visa or Mastercard as an on- or off-ramp. We're also seeing announcements where Visa treats crypto akin to just another kind of fiat for settlement purposes. Traditional rails, he said, can help create a connected experience.

## Building Trust

In forging new commerce ecosystems, it all boils down to trust, he said, and in many cases, intermediaries can build that trust. With technology at the point of sale, those intermediaries have given merchants new ways to convert sales beyond what might be seen as the classic, clunky point of sale options seen in brick-and-mortar commerce.

Of the emergence of the connected economy, said McCarthy — the when and the how of it all — "people are very impatient when you're in the moment. It takes a while." It took Visa 60 years, you know, to get to its current standing as a network of networks. ATMs didn't get connected through switches for 20 years. Debit took 20 years to become mainstream.

But, according to McCarthy: give it time; this will happen. "Whether you're the marketplace or the super app," he told Webster, "you're going to build payments into the heart of what you're doing … you can't have a connected economy without payments at the heart of it."

**DREW EDWARDS**

CEO

# B2B PAYMENTS SHOULD **RESEMBLE A CONVERSATION**

When we think about the major advances the connected economy has made, particularly over the last 15 months of the rapid onset of digitization, the advances that get the most attention are consumer oriented. Powered often by payments, the emerging digital economy has thus far been about connecting consumers to remove friction.

And while that is all good, Ingo Money CEO Drew Edwards told Karen Webster when they sat down to discuss the emerging connected economy, and has removed a tremendous amount of friction from the consumer experience, the forward evolution of the connected economy has largely been limited to consumers.

"Most of the innovation in the last 50 years has been about how I, as a consumer, paid companies. But companies are still mailing me checks, right?" Edwards asked. "The worst time of all, is that B2C and B2SMB payment process that takes weeks, costs a bunch of money and it is just friction, friction, friction, end-to-end."

The good news, Edwards said, is the jig is mostly up for the "most time-consuming payment process out there" as their weeks-long payments processes are cut to seconds in a way that delights recipients as well as senders and offers the potential to "create an environment where new business models can come out of it."

### Opening Up To The Opportunity

There are many problems with paying by paper checks: they're slow, easy to steal and expensive to produce. Another significant issue is that checks aren't versatile, looked at in the context of an economy that's becoming more connected around them.

Unlike a digital payment, a check isn't a conversation — it's the end of a transaction. However, a digital payment can be the start of a two-way dialogue between the sender and the recipient that can become the basis for layering other services and capabilities.

As Edwards noted, turning a payment into a digital experience means a two-way conversation gets going, one that tends to delight the recipient when it offers up a trusted process that ends with them getting instantly paid.

"And then at the end of the day, you're also acquiring new believers in that process. Everybody that gets paid says, 'Wow, that was cool. How do I do that again?' And that then feeds on itself," he said, adding that a financial institution can use digital payments to acquire small business customers.

There are many areas in B2B payments where transformation will be challenging, he said, areas like insurance, healthcare and even sports betting, all of which are highly regulated and cause innovators in those spaces to move cautiously.

However, the overall market trend is clear: anywhere where there's a recipient and they need the money faster is a potential use case. Items like payroll, supplier payments,



insurance disbursements, and the like, are "the low hanging fruit" in that they are opportunities to transform the process for the payer and change the experience for the receiver by giving them options.

### Overcoming The Resistance

One of the challenges in bringing B2C and B2SMB payments into the connected economy fold, Edwards noted, is the resistance they continue to run into from firms, particularly larger ones, when it comes to being part of a payment ecosystem. They like the idea of transforming how they pay people — but often with the defeating stipulation that their recipients are their recipients. The companies don't want to share them with any other player connected to the system, which Edwards noted is "contrary to the real possibilities" that this change can enable.

"But if there's economics involved, like if a recipient is willing to pay for speed or pay for choices, then you can create reasons for those companies to buy into the ecosystem because they're going to get more customers or they're going to share in the revenue stream," Edwards said.

Incentives are also a powerful and persuasive tool. It's why Edwards uses Apple Pay, because in combination with the Apple Card, he doubles up his rewards. It's why his employees favor their AmEx cards, he said, to build up frequent flier miles. It's why consumers have bought into the connected economy so powerfully — it reduces the friction in their daily lives and gives them their time back as a reward.

He noted that business payments are simply the next natural evolution point for the connected economy to take hold — because the conversations that connection enables allow firms to recreate experiences and build new revenue streams.

"The opportunities exist and we are only starting to see them emerge, but they are still mostly covered up with friction and time-consuming slow processes. This is just a natural place for an ecosystem to evolve," Edwards said.

**SARFRAZ NAWAZ**

Head of Digital Transformation, Supply Chain

# DIGITAL PIVOTS HELP JOHNSON & JOHNSON'S SUPPLY CHAIN **STAY RESILIENT**

In many ways, Johnson & Johnson was at the heart of the COVID-19 crisis.

Not only was the company racing against the virus to deploy a vaccine, but it was also supplying medical facilities with critical gear and working to keep the supply of consumer goods, like cough syrup and fever reducers, flowing. All of that tested J&J's supply chain, while also forcing it to evolve to be more digitally driven, like many other channels during the pandemic.

The company's focus on improving its supply chain netted it the No. 3 spot on Gartner's Supply Chain Top 25 Index for 2020, which was an improvement of five spots from its 2019 ranking.

The company's robust supply chain solutions no doubt played a role in its strong first quarter earnings that were released in April. Its ability to ship products helped J&J increase its worldwide sales by almost 8 percent, distributed across its consumer health, pharmaceutical and medical device divisions.

**Strong Foundations**

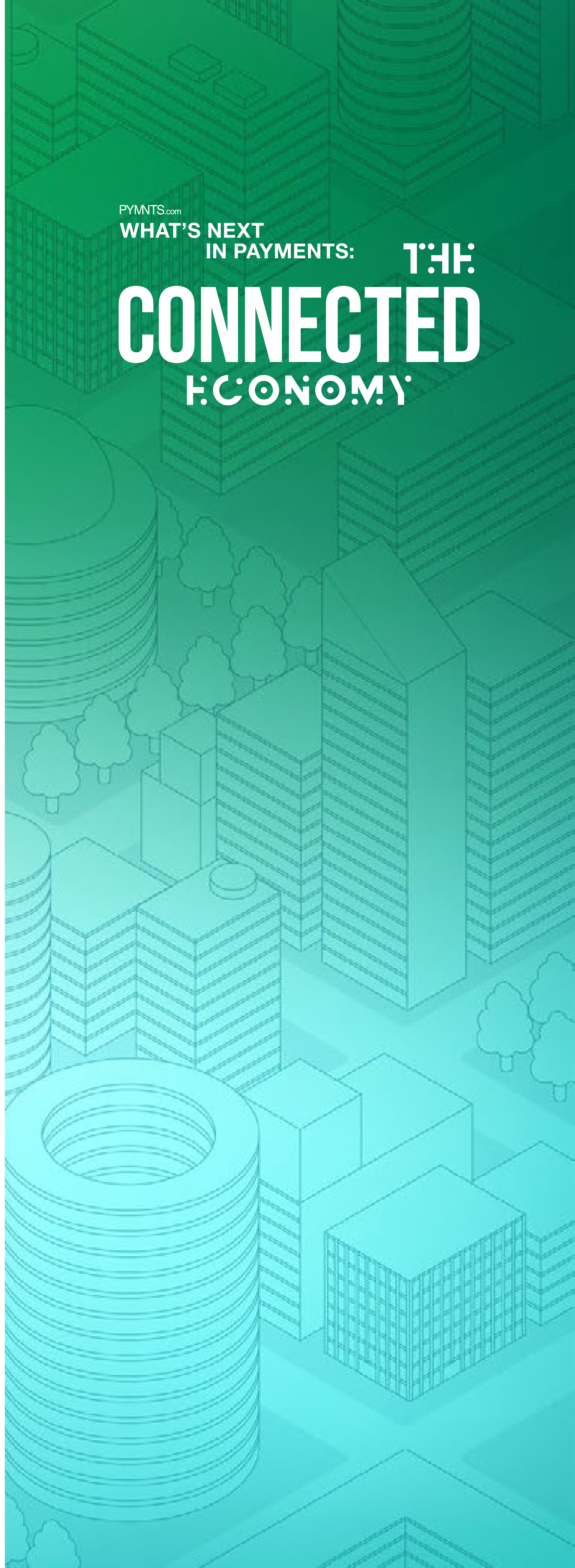
In speaking to PYMNTS CEO Karen Webster, Johnson & Johnson's Sarfraz Nawaz, who helps drive the digital transformation of the company's supply chain, said two things factored into the company's successful transition to more of a digital supply chain operator.

"First, it's necessary to create a foundation that's really robust and resilient, where from a technology standpoint, we are fruitful," he said. "We were able to support building applications that have long-lasting impact rather than working in silos."

One of those applications includes leveraging complex algorithms to identify unusual ordering patterns from large clients like governments and medical centers. It also used digital risk-simulation modeling to predict how its supply chain would manage with the staffing shortages brought about by the pandemic. The company was able to model such things as whether a factory could run at 30 percent to 40 percent reduced capacity, or what would happen if products couldn't be shipped on their normal schedules. Such modeling helped J&J also keep operating costs low by not over-ordering or under-ordering raw materials.

Another digital supply chain pivot that the company made in the past year was to allow workers at manufacturing plants to connect with engineers who weren't able to be on site due to travel restrictions. Using smart glass technology like Google Glass, combined with opening higher security clearance levels and employing robust cybersecurity measures, allowed scientists to fine-tune equipment by looking through the eyes of someone in the factory.

Track-and-trace sensors also played into J&J's digitally resilient supply chain during the pandemic. Sensors equipped with GPS, temperature-monitoring ability and impact monitors were included with shipments, allowing supply chain managers to not only know where their shipments were at any given time, but also if packages had been dropped or if delays caused temperature fluctuations that could have impacted quality. The company is now pairing this track-and-trace technology with intelligent automation that could automatically trigger alerts



if, for example, a plane leaves without an important package on board.

Beyond J&J's efforts, supply chain visibility has become a hot topic across the healthcare manufacturing industry at large. Just last month, FourKites, a startup that supplies freight-tracking software, announced that it had secured $100 million in a Series D fundraising round, which effectively doubled its capital raised to date. The company now handles a significant portion of the supply chain tracking for Cardinal Health, which says it supplies nearly 90 percent of all U.S. hospitals and more than 29,000 U.S. pharmacies.

**Nurturing Culture**

So, the technological components of J&J's digital supply chain resiliency are clear — but what about the second aspect of the company's digital transformation? Nawaz said it's simple: people.

"Having deep expertise and a focus on execution from a technology standpoint is important, but then comes the culture side — being able to nurture talent internally while attracting new points of views," he said. "So, we are really focused on these foundational aspects that helped us progress faster through the last year in this journey while trying to keep the longer-term vision intact."

**Room For Improvement**

Looking forward, Nawaz said there are even more enhancements and improvements to J&J's digital supply chain to be deployed.

"I think we're in a good place and marching forward in the right direction in terms of being able to tap into technologies around machine learning or analytics or intelligent automation," he concluded. "But there's also the institutional environment that we work with, the various geographical conditions where you have to operate, and the availability of technology capabilities in these regions and how we enable it. So, I think that's another area that probably requires a lot more work.

"And then we talk about innovation and change. How do we have a strong innovation process for bringing in tools, capabilities and talent, especially for legacy organizations? That's a big area to focus on in terms of processes."

**KRISTIN SAVILIA**
CEO

# FASHION WHOLESALERS WALK THE RUNWAY INTO THE DIGITAL-FIRST ECONOMY

Describing something as a "learning experience" or "character building" is rarely a good sign. It's almost always a sign of a bad situation being described politely, or bad behavior being evaluated after the fact. But some educational and character-building experiences can't be avoided, and for players in the B2B economy, the learning experience of the last year when it came to digitization was a long time coming.

"With the pandemic people realized you can't buy the old-fashioned way anymore. Digital is required," Joor CEO Kristin Savilia told PYMNTS in a recent conversation. "The pandemic has shown a light on the fact that we were doing things wrong. We were traveling too much. We were having too many events, but we still were doing things on paper. The way we're doing payments is also very antiquated, with paper, invoices, or email invoices, offline payments are also a big miss. These problems were all brought to light, and I think the permanent reboot and change that we're going to see is actually really exciting."

Which is not to say that a rebooted world will be a wholly different one. Joor, which provides a digital platform for fashion brands and fashion retailers to meet and transact, started its existence as a hybrid platform built for business customers interacting in the real world at fashion events like trade and runway shows, and beginning to edge into the world of digitally displayed and purchased goods.

The pandemic, which shot down all those physical events, created explosive growth for Joor as brands and retailers went overnight from experimenting with digital to diving in head-first out of necessity.

"After those first few weeks of uncertainty, we got a lot of inbound phone calls from our brands who all use Joor saying, 'You remember that virtual showroom thing you told me about, you how does that work again? We need to start using it right now,'" Savilia said.

## The Gift Of Urgency

And what they realized at Joor at that point, she said, is that this "right now" was going to last for a while. There weren't going to be events in the summer or fall, and all of these fashion brands and merchants large and small needed a way to transact that was totally outside the physical environment. Joor needed to be ready to offer its clients something new.

Which, she noted, is how the idea for Joor Passport was born — making it possible for brands to create digital events and easy for small and medium-sized businesses (SMBs) to easily log in to a single point for the 12,500 on Joor's platform. In 2020 alone, Joor hosted 17 shows and in a six-month time period, it had 15,000 retailer shopper events from 130 countries, and those clients purchased 500,000 items.

"What we taught the industry and the trade shows [that] have all renewed with us and plan on using us forever, is





that this is a way to extend the length and reach of your event," Savilia said. "So physical events will still matter, but the fact that you can extend it with digital is here to stay."

Joor has learned a lot, and enhanced its offering a lot around things like payments in this rarified year of digital-only transacting. With its digital invoicing, she said, Joor has managed to help brands speed up the wait for getting paid for goods from being a few months to being a few days. All of that was accomplished, she said, by adding on a bulk invoicing tool that makes it easy for brands to click and send invoices out to every firm they are tied to when merchandise ships. Those are the kind of changes on the back end that the entire B2B space needs, she said, because if the last 12 months have demonstrated anything, she said, it is that running back end on Excel spreadsheets and using paper invoices is just unworkable in the modern world. Those are the sorts of things, she said, that were banished by the pandemic and should never come back.

But other things like trade shows, runway shows and the physical side of the fashion business, she said, are going to come back. Joor will once again take up its hybrid role of connecting the digital plane of commerce to the physical through his presence at real-world events once they open up again. But, she noted, it will be a different environment that comes back, one more enabled by and driven by the data that brands and merchants have had access to for the first time as a direct result of their diving into the world of digital.

"I'm optimistic," Savilia said. "I think we're going to do it right. I think that selling in the wholesale world is closer to actually happening near when it's going to hit the selling floor. I think there's some changes that are going to be really positive. So I think we're going to come back and  folks just are going to be adopting digital across the board, because that is where this needs to go."

# MAX NEUKIRCHEN

CEO of Merchant Services

J.P.Morgan

# CUSTOMER EXPERIENCE **WILL DRIVE SUPER APP FUTURE** IN THE US

The connected economy is evolving in the U.S., taking its cue from the super apps that have taken root around the globe. Those super apps – in Latin America, Asia and elsewhere – have been able to bring together far-flung daily activities (from ride-hailing to banking) and mass them behind a digital front door that ties together physical and digital channels.

Max Neukirchen, CEO of merchant services at J.P. Morgan Chase, told Karen Webster that there's some catch-up to play here in the States, involving a shift in merchants' mindsets toward how they mesh the physical shopping experience with purely digital ones.

"There's a real push toward the emerging super apps in the United States and in North America," said

Neukirchen. "Ultimately, it will come down to a question of customer experience – who will be able to bring together the different parts of the connected digital commerce and economy in a way that makes it seamless for consumers to meet all their needs."

The omnichannel experience (which underpins a super app), he said, should be focused on the journey – not the channel. That philosophy stands in stark contrast with the fact that consumers find the physical store to be the least satisfying channel, and that merchants are still investing in buy online, pick up in-store offerings (intended to drive foot traffic), with wholly different consumer experiences in each.

There's been a ripple effect that has shocked the merchant services ecosystems and helped online marketplaces emerge into what Neunkirchen described as "a central phenomenon to the connected world, where buyers and sellers and consumers come together."

Along the way, the digital strategies – indeed, the mindset underlying those strategies – have been shifting. The challenge is out there for everyone, he said, and the small businesses face the same issues of merging the physical and digital into a good experience as the largest firms. The good news is that a broad range of solution and service providers (J.P. Morgan among them) can help client companies build compelling digital offerings that span fulfillment, fraud management, inventory management and onboarding functions.

Neukirchen pointed to J.P. Morgan's own offerings that help markets and merchants collect money, and also help suppliers and providers get paid under one roof, where they also can tap credit lines or get help with KYC and onboarding validation.

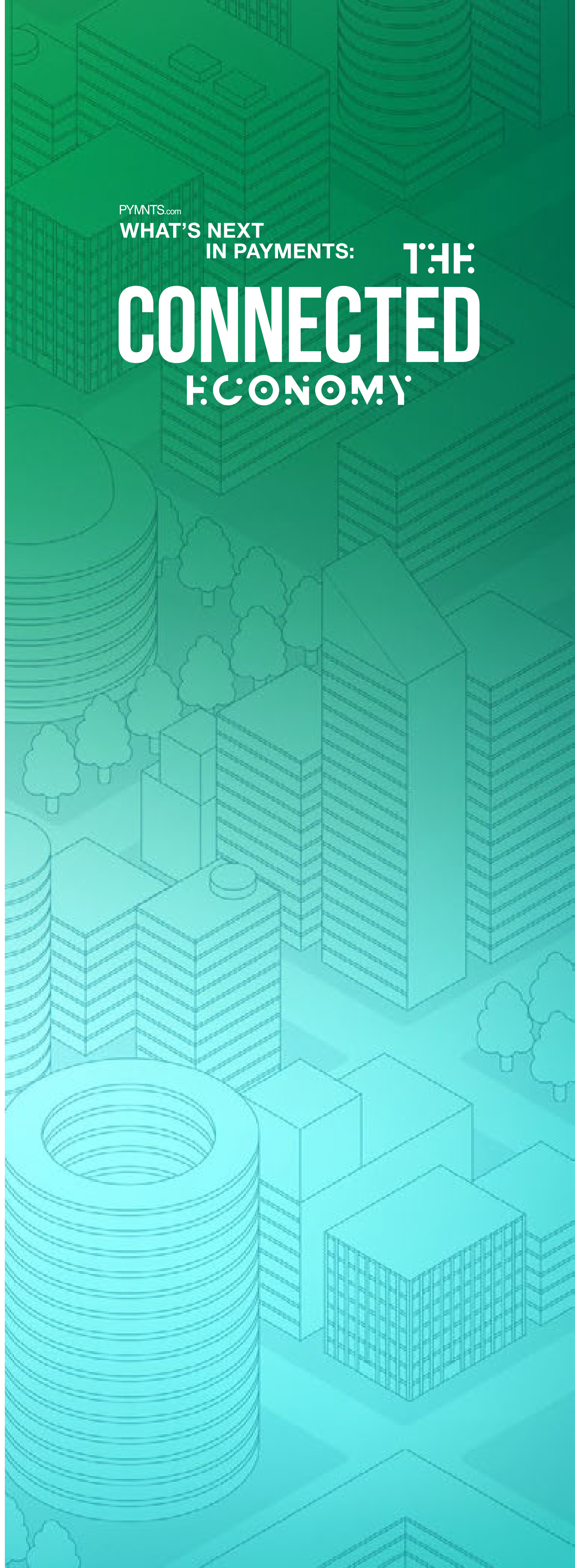
That holistic, one-stop-shop, he said, positions J.P. Morgan well against FinTech and even Big Tech competitors who have been jockeying to help craft omnichannel experiences – and the bank has the added competitive factor of trust (and a longstanding history with many of its corporate clients) that is hard to replicate.

### The Key Questions

"The important question that many merchants are grappling with is how to design the digital engagement with their customers," Neukirchen noted. "Because it is very important from a loyalty standpoint, but also … because payments actually plays a critical role in all of this."

As he told Webster, payments shape significant parts of the experience that customers have at the most critical time of engagement – during checkout in the digital world. The payments part of the equation has now become a topic of discussion and consideration not just for the treasurer, the finance department or the CFO, but also for product development, marketing, the tech team and even the CEO.

As merchants are re-examining their digital journeys, there is the potential to bring a more eCommerce-like experience to brick-and-mortar retail,



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so that physical stores function less as a simple destination for foot traffic and more like a center for innovation.

As Neukirchen noted, the omnichannel experience merchants provide to their customers becomes critical as an increasing number of consumers order something online, and then want to exchange those items at the store – or they browse something in-store, but opt to order it at home, online.

"So the question of how to make the various channels – digital and in-store – work together from a purchase standpoint, and also from a servicing and ongoing experience standpoint, is a big priority for many of our merchants," he explained.

It's been a mixed bag so far, he pointed out, where the typical experience of a customer showing up in a store, pulling up an app on their phone, generating or accepting a code, and then paying at the point of sale has been challenged in many ways. Simply put, nowadays, customers expect the same simplicity in-store that they have online – and as a result, they're eager to pay with biometrics or leverage other high-tech offerings to make commerce a bit more seamless.

As the lines for consumers blur and ultimately become invisible, Neukirchen said, merchants must decide who owns the consumer experience, and then figure out what must be done to make the journey seamless. But as the lines of commerce blur, so do the lines between stakeholders in the ecosystem. Neukirchen said that firms have traditionally organized themselves along various points in the channel – the firm, for example, that owns the stores, or the app, or the product.

"Consumers don't think that way," he explained. "They want integrated experiences, and they want companies to basically stitch those solutions together in a seamless way." That approach, over time, "will differentiate the winners from the losers in a given segment." The winners, he predicted, could be the companies that own the last mile of the customer journey.

To that end, it's not just about connections, but about smart connections – and data are the critical differentiators. Data, said Neukirchen, can help firms anticipate the needs of customers along a continuum of services – setting the stage for the customer to prefer that solution above all others.

It'll be interesting to see how companies compete for customers' attention as the connected economy grows, maintained Neukirchen.

"It's no longer the case that you onboard a consumer on your solution or your app once, and then you're done," he said of the merchants and providers. "Consumers will be connected in many ways, and we'll have choices. And then it will be a constant competition for who provides the easiest, smartest and most trusted connections."

**SCOTT SANBORN**

CEO

LendingClub

# FINANCIAL SERVICES MUST ADOPT **'OUTCOMES-BASED APPROACH'**

The great digital shift has brought us all onto our mobile devices. But as we become ever connected with financial services firms through phones, tablets and laptops, banking has lagged a bit. As PYMNTS research has shown, roughly 45 percent of account holders use online and mobile channels for banking most or all of the time.

But a third of users surveyed have signaled dissatisfaction with their mobile banking apps. Those stats signal some room for improvement.

LendingClub CEO Scott Sanborn told Karen Webster that financial services can get a boost from embracing an outcome-based approach to banking that leverages the device as a conduit for improving consumers' financial health rather than focusing on discrete banking services. "The biggest thing they have to do is move organizationally to a 'customer-first' mindset powered by a single view of the customer," he told Webster.

To get there requires grappling with legacy technologies (read: technical debt), moving beyond the branch experience and harnessing data to create a personalized experience.

As Sanborn has said in past company earnings calls, banking is no longer defined by a place where people *go,* but is about what they *do.* "Banks spend a lot of money on advertising, but at the end of the day, experience is a huge driver of choice – and a big driver of choice has often been convenience," he noted.

The pandemic has shaken up just what it means to have a "convenient" banking experience. Convenience used to be about the branch, and about having a branch in close proximity to the house. Now, it's all about the mobile banking interaction that, increasingly, should "deliver on the customer-focused outcome" that the individual wanted from the bank in the first place, according to Sanborn.

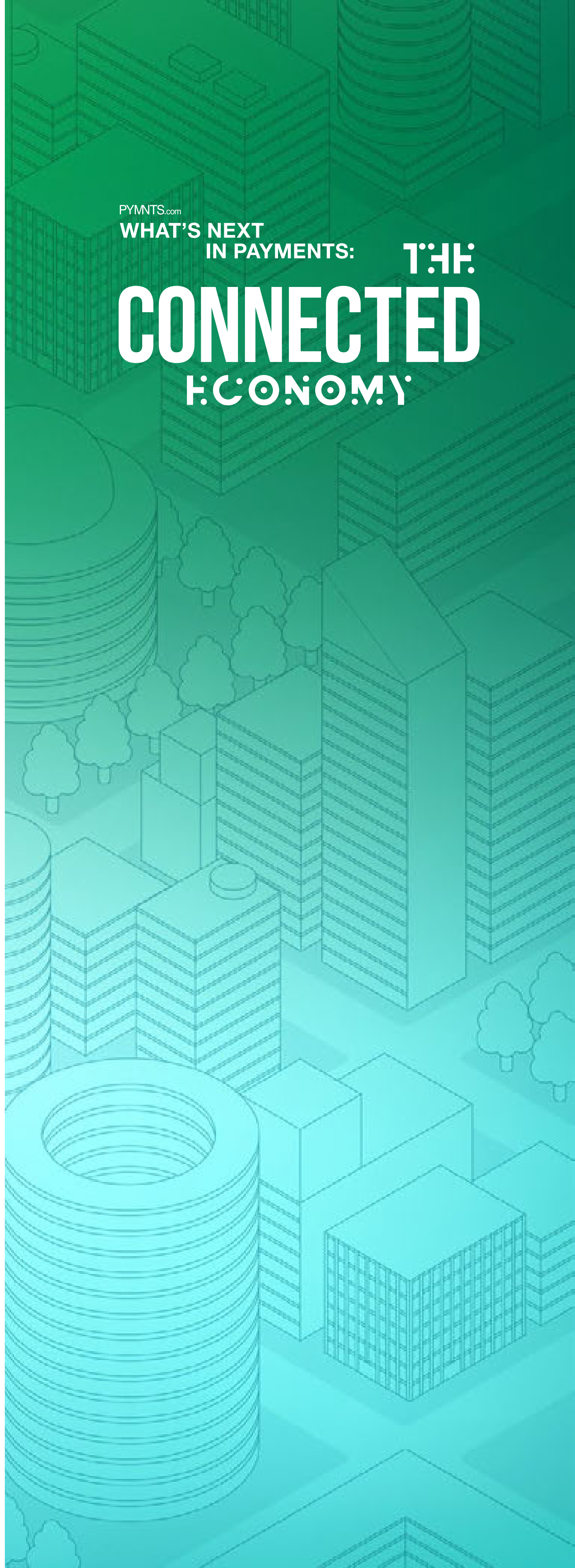
He termed this outcome-based approach a "know-me experience" that stretches, end to end, across a banking app, where financial services providers can anticipate the consumer's immediate needs, as well as what they might need down the line. After all, said Sanborn, the online banking experience matters for everyone, but what matters within that experience can be wildly different depending on the day or the use case.

That outcome-based approach has yet to crystallize in financial services, which is why so many people have different relationships with a slew of providers, taking a bit of what they need from each of them. They might use one bank for checking and savings, another for a mortgage and yet another for an auto loan, for example.

The technical debt is a challenge in crafting the connected ecosystem, said Sanborn, where a financial institution (FI) might serve as a single point of contact. Banks have grown through acquisitions, and have had to embrace multiple legacy technology systems. "Silos form around products as opposed to customers – and that makes it harder to stay focused on them," he said, with a holistic view.

By way of contrast, explained Sanborn, digitally native firms such as LendingClub have been able to organize their efforts with the customer in mind, and always at the center of design. That's helped in part by the collection of 140 billion data cells over 14 years.

LendingClub's customer base might be defined as "highly banked," he said, but they are not getting the most



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they could get from their financial products and services. He pointed out that the company's business model is predicated on helping consumers get better control over their debt – and boost their credit scores in the process.

## A Hybrid Approach – For Now

The fact that LendingClub has a number of avenues for customer interaction – via phone and chat, said Sanborn – speaks to a hybrid approach that still remains critical. In some cases, customers are not ready to go 100 percent digital yet (indeed, some loans, such as auto loans, still must be done with physical paper, even if they do not need a "wet signature" done in a branch setting).

"Is it possible to be fully digital? Is it desirable for all customers? Not yet. But it's sure headed that way," said Sanborn. Though there are still use cases that require person-to-person contact, he said, online financial services marketplaces like LendingClub's have been evolving into connected economy ecosystems.

"The marketplace has enabled us to assemble a 'funding ecosystem,' with everything from regional and community banks that will provide capital for loans to high-credit quality consumers, to asset managers and hedge funds that are willing to take on more risk in exchange for a higher yield, so we're able to serve a broad range of customers" powered through data underpinning every interaction, he said.

Beyond credit activities, said Sanborn, data makes it possible for LendingClub to help consumers with spending and saving. The customer who comes to LendingClub to pay off their credit card debt can also be prodded into saving money on an auto loan, putting those savings automatically into a separate account that grows over time and improves their financial health.

The holistic approach can also help LendingClub reach out to Gen Z consumers, for example, who thus far have relied on Zelle and Venmo as their sole conduits of online banking. "As they move forward and further into their financial lives, they›re going to need more from their bank," he told Webster. "They›re going to need help and support on a variety of other services … You've got to both align around the customer and create incentives for the company that align with the customer outcomes, as opposed to only the company's financial outcomes."

**JILL RENSLOW**

Executive Vice President

# MALL OF AMERICA ON THE **CONNECTED MALL'S FUTURE**

The mall and its uncertain future in the era of digital transformation has been a topic of conversation for the better part of the last five years.

Is the mall dying? Does the mall have a future? Does anyone still need the mall?

The questions have swirled, and few have predicted a profitable future for most malls, which have been largely written off as relics of the retail past.

According to estimates, 25 percent of America's roughly 1,000 malls will close over the next three to five years — a process accelerated, but not created, by the pandemic.

But the Mall of America is not most malls. The largest mall in the United States by size, the 5.6 million-square-foot space is home to two hotels, a 7-acre theme park, 500-plus retailers, a medical center, schools and even a COVID-19 vaccination site in operation at present. With all that going on and so much planned, the Mall of America is something of a species unto itself, Executive Vice President Jill Renslow told PYMNTS.

"Even though the mall is in our name as the Mall of America, we are so much more than that," Renslow said. "We really look at how to diversify our property. … [there are] even development opportunities as we look to expand. Because being 5.5 million square feet isn't big enough. We want to contribute and bring new experiences to our guests."

That isn't to say the last year hasn't been a setback or a difficult period for Mall of America or its merchants. Renslow said she still remembers the precise day in 2020 when the entire world "turned upside down." March 18 was the day management knew the mall would be shutting down, without much idea as to how long that period would last. It was incredibly difficult and a time period that required tremendous collaboration and communication between the mall and its extremely large roster of tenants. While communication is always important, it was even more so during the past year as the mall had to make sure all the changes were coming across in a timely manner.

"The desired end result for all of us was the same," she said. "We wanted to get reopened. We wanted to be successful in the long run, which meant we had to be creative in the short term of what that would look like. We focused on our digital tenant hub for communication that allows our tenants to be able to either from a web browser or through an app be able to be connected with us. And so, we can put out communication in a timely matter no matter what it is."

## Connecting MOA To Digital Technology

Leveraging a digital platform encourages thinking more directly about how its consumers and retailers can be connected, she said. eCommerce efforts are largely merchants' own doing and creation in house, a reality that means larger merchants have the edge when rolling out services like buy online, pick up instore (BOPIS) or curbside and other digital upgrades.

Ideally, Mall of America would like to find a way to level that playing field by offering a single digital platform through which their merchants can easily hook into offering those digital upgrades to their consumers, she said. That's an improvement for small retailers, but also for larger ones because a more unified digital experience for consumers is ultimately a better one.

Given the choice, the typical consumer going to the mall to pick up items from a few stores will prefer to make a single stop and see all their orders from the mall loaded into their trunk at once than having to stop at five separate storefronts to complete their shopping journey that day.

It's why leveraging digital and its connection to its massive merchant base is so firmly "on the roadmap" for Mall of America going forward, she said. Finding a way to "unify that shopping cart" means a guest experience that is even smoother and more seamless.

And for all the ink spilled on malls big and small, and speculation on how they can save themselves from the coming digital apocalypse, Renslow said the answer is surprisingly simple. Do new things with the technology at hand; be willing to experiment. Consumers are going to change and are changing already, and the mall can see that today as consumers start to return. Instead of trying to fight a change that can't be stopped, malls can change themselves by getting more connected and more interestingly experimental.

"Take risks, try new things," she said. "Don't be afraid to fail. When you fail, you're pushing yourself, your team, your company, to try new things. And no matter what happens, you're going to learn from it. And it just makes you stronger. Consumers are looking for that — they're expecting change, they're expecting new things. I really think the future of retail, especially in the brick-and-mortar space, has so much opportunity, and we really look forward to the months and years ahead."

**JASON THOMSTATTER**

Head of Digital Commerce

# MARS SERVES CONNECTED EXPERIENCES TO CREATE **SWEET CONSUMER JOURNEYS**

In today's connected economy, businesses have the opportunity to create digital entry points that grant consumers access to whole ecosystems of related services and capabilities, integrating themselves seamlessly into consumers' daily routines.

Leading brands are leveraging their products to create a compelling commerce journey for the consumer, connecting formerly disparate products, activities and technologies, guiding consumers through the experience from beginning to end.

Mars (of confectionery fame), for instance, looks at consumer behavior before and after the purchase of their products to understand how its products fit into their lifestyle, identifying areas to engage with consumers and tailoring the product journey to these patterns.

"It used to be, if you had great practices and great marketing and a great product, you're good to go," Jason Thomstatter, head of Digital Commerce at Mars, told Karen Webster in an interview, as part of the ConnectedEconomy™ series. "And I think now it becomes much broader than that, right? You have to have that overall experience, and you have to be able to be tying that into the end-to-end way your consumer's operating and interacting with the brand on a day-to-day basis."

## Creating Omnichannel Experiences

Even in the last year, during the most severe months of lockdown, Mars has never taken eCommerce for granted, Thomstatter said. Instead, the company makes a point to be crystal clear on the value proposition associated with each direct-to-consumer (D2C) initiative, with every online shop expected to justify its place in the eMarketplace.

"Getting into value props, initially, we're looking at that around, 'How do we deliver a unique experience for our consumers for our specific brands?'" Thomstatter explained.

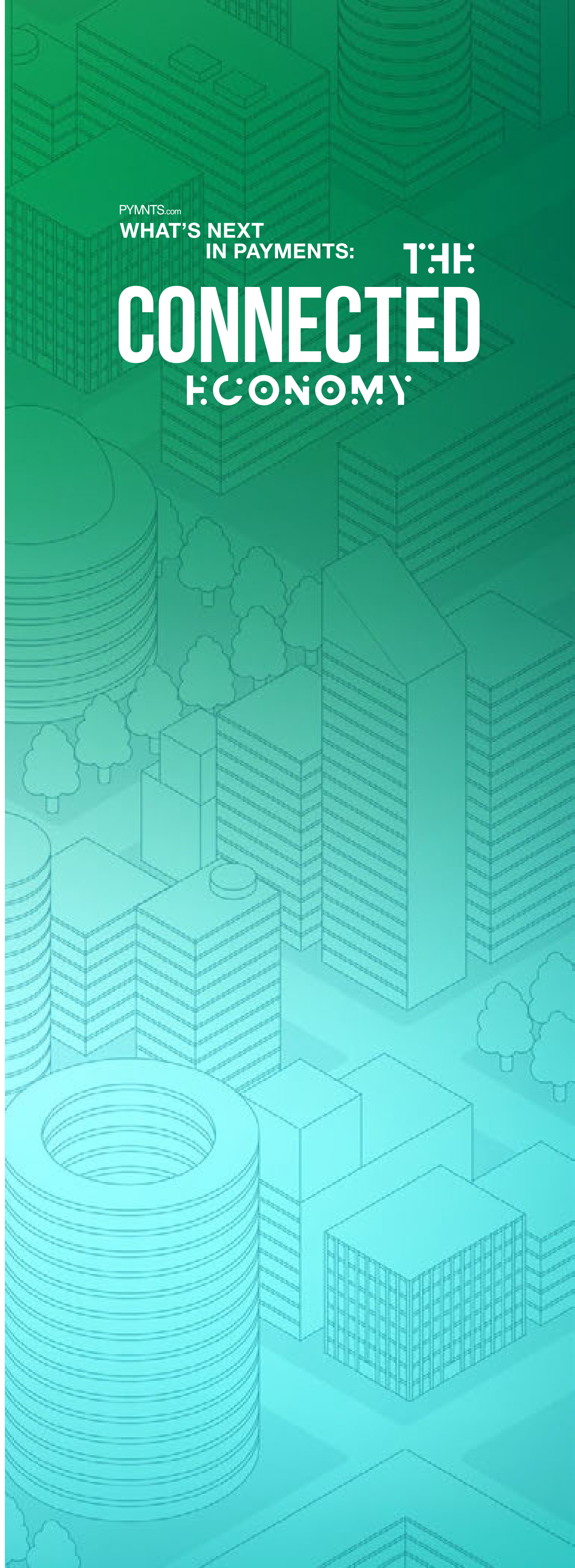
As an example, he cited the M&M digital and brick-and-mortar experience. Online, consumers can order customized candies that would not be possible in a physical store environment. In stores, consumers can experience the M&M brand in a more immersive way, engaging more immediately with the products.

"We're taking those experiences and really putting those together to really give consumers a unique omnichannel experience, whether you're in the store or whether you're online," said Thomstatter. "And you're able to actually experience the M&M brand in a very different way than if you went into a traditional retailer and just purchased a bag of M&M's. It's giving [consumers] a different way to connect with the brand and … a unique, more modern approach, or a more customized approach, to interacting with our brands."

## Leveraging Data To Understand The Consumer Journey

To provide an end-to-end consumer journey, you need to understand what is happening on each end, in addition to understanding consumers' behavior at every intermediate stage. For Mars, its these D2C stores — the unique experience each provides, and consequently the unique behavior that each prompts — to learn more about its consumers' needs and habits.

"What we're able to do is actually leverage those different value props to deliver great experiences across all of those types of channels," said Thomstatter. "And then from a data perspective, certainly you're



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able to leverage that data in this type of ecosystem to really serve our consumers in the most efficient and best way possible."

Additionally, he provided an example outside of Mars to show how a company leverage its online presence to collect insights on consumer behavior. Thomstatter pointed to Disney's mobile experience, citing digital features like wait time tracking for ride lines, PhotoPass, and mobile click-and-collect options for the parks' restaurants, as key ways that the company collects information about consumers' in-park behavior.

He reflected, "What I saw happening there was really interesting because all of the data they're able to collect, they're able to then understand trends of what people are buying, and I'm sure they're able to then predict what ultimately those consumers are going to be purchasing when they come in the park additional times."

## A Dog's Eye View Of The Connected Economy

One way that Mars engages in the connected economy is through its Mars Petcare products and services. Through the entry point of brands that carry dog foods, such as Pedigree and Royal Canin, the company embeds itself in dog-owning consumers' daily routines. From there, with Mars' veterinary brands providing additional services, such as pet healthcare, tailored wellness plans, telehealth and even Wisdom Panel D2C dog DNA tests, the company offers a comprehensive pet care experience.

"I think what we're doing across the board there is really delivering some unique experiences," said Thomstatter, "...and then, you know, we're digitizing the way you interact with those brands as we move forward."

By creating this suite of connected products and services, Mars is able to forge deeper relationships with consumers, becoming an embedded part of their lives.

Thomstatter noted, "I think, the more you understand that [consumer journey] as a business and brand, the better your ability will be to serve your consumers better and really give them a great end-to-end experience, and ultimately if you do that really well, you can grow your business and drive a lot of value."

**RON SHULTZ**

EVP of New Payment Flows

# MASTERCARD SAYS **TRUST PLUS TECH** WILL POWER THE CONNECTED ECONOMY

Usually when people say something "isn't what it used to be," it's not meant as a compliment — the implication is that whatever it is now is less than it was before.

But that implication to the side, the world we live in as 2021 is approaching its halfway mark is objectively not what it used to be — it is now more connected, more digitized, faster-moving and more global than it has ever been.

And in the face of an environment remaking itself, Mastercard has had to recreate itself as well, Mastercard's Executive Vice President of New Payment Flows Ron Shultz told Karen Webster when he sat in to talk about the connected economy. The firm is no longer what it used to be, either, he said, and the goal is to become something more.

"We've evolved very much from a company focused on building safe and secure credit and debit networks and card products, to one that's now a multi-rail business," Shultz said. "We're focused on bringing separate instances all together in one suite of solutions or one application."

While there are a lot of ways to pay for things in the world we live in — cash, ACH, real-time payments, peer-to-peer (P2P), mobile wallets — he said the digital consumer is being poorly served as they try to manage multiple tasks separately with different credentials and passwords to access various mechanisms for payment.

The overall approach for Mastercard as it evolves alongside the connected economy is to bring all of those separate mechanisms together in one easily accessible application, built to work for the needs of the consumer as well as the business payment ecosystem. The idea is to bring all of these options together under a single trusted banner so that users don't have to go to multiple places to make all the transactions happen.

That work will certainly be a collaborative effort, involving the innovative financial institutions (FIs) and FinTechs flooding into the market offering new and better digital front doors to the various parts of the connected economy, he said.

**Comrades In Collaboration**

Mastercard does not view those players as competitors or as a disruption risk to its network but as comrades-in-arms building the new digital ecosystem, Shultz said. In the emerging connected economy, trust is tantamount yet uncommon at many FIs.

Partnering with FinTechs gives mainline players like the card networks an opportunity to expose the market to different and better solutions in both consumer and business payments.

But many have wondered if all of this collaboration creates a risk to those mainstream players offering a direct connection to their large customer bases, and that they might use those connections to essentially make them obsolete.

While Shultz conceded that disruption and disintermediation are always a risk, real consumer trust is much harder to build (and much easier to lose) than most firms admit, and the benefits of these collaborations far outweigh the risks. It would be foolish to slow down their pace of connecting for fear of losing out.

"What those new entrants are doing is very interesting, and I suspect they'll continue to rely on those trusted names and networks, especially when it relates to payments and financial services," he said.

It is often through partnerships with other companies that Mastercard is able to improve experiences for consumers, billers, merchants and corporations, he said.

"So, we're pleased to partner with them and bring our assets and capabilities to the table because that just enriches the overall experience or environment in payments."

**Teamwork Approach**

Winning isn't always about competition, he said, and it's becoming clear that the collaborative path that delivers the best service to consumers or businesses and alleviates the most friction will be the winner in an increasingly connected economy.

As Shultz pointed out, consumers don't really care about payment platforms; they care about paying their bills and being able to complete secure transactions where and when they want.

Merchants care about getting paid on time and want to ensure that the data that flows along with the transaction allows them to eliminate outdated manual processes that slow them down.

Consumers are always going to care about trust, which means Mastercard will have a big part to play in helping to build the connected economy for quite some time, he said.

"One thing is for sure: One size doesn't fit all, especially with the consumer," Shultz said. "So, they'll make payments and conduct commerce in lots of different ways for many years to come. And we'll partner with all the relevant players and deliver on that need because there's still a need for trust and security. And the expectation will always be there."

**DOUG BROWN**

SVP and GM,

Digital Banking

NCR

# BANKS AS THE **TRUSTED 'GLUE'**

Big Tech and FinTech firms are busy creating their own connected ecosystems while striking up relationships with banks, making traditional financial services firms part of the system, too. Google stands as a prime example, with Google Pay and Google Plex. And in other parts of the financial services landscape, FinTechs are trying to enable banks to become, well, more like FinTechs.

As the connected economy takes shape, banking, payments, commerce and merchant ecosystems are all striving toward linking up, communicating with one another through digital channels. And there's a common point of contact: the customer.

## Putting The Customer At The Center

In an interview with Karen Webster, Doug Brown, president of NCR Digital Banking, said that for banks and merchants, focusing on that commonality can turbocharge the omnichannel commerce experience, cementing individuals' loyalty to merchants and financial institutions (FIs) in one seamless flow of data and interactions – from browsing the aisle (virtual and otherwise) to making the payment.

Data, of course, underpins it all, but getting it right – really crafting the ecosystem itself – depends on far more than the technical underpinnings of ensuring that information flows between parties. There's any amount of competition to get that data captured and flowing, and to gain customers' attention and share of wallet.

## Breaking Down Silos

As Brown noted, value is unlocked when silos are broken down, and the consumer is at the center of it all. He said banks have a unique advantage in accelerating the evolution of connected commerce systems because they "oversee" consumer relationships within all parts of that ecosystem.

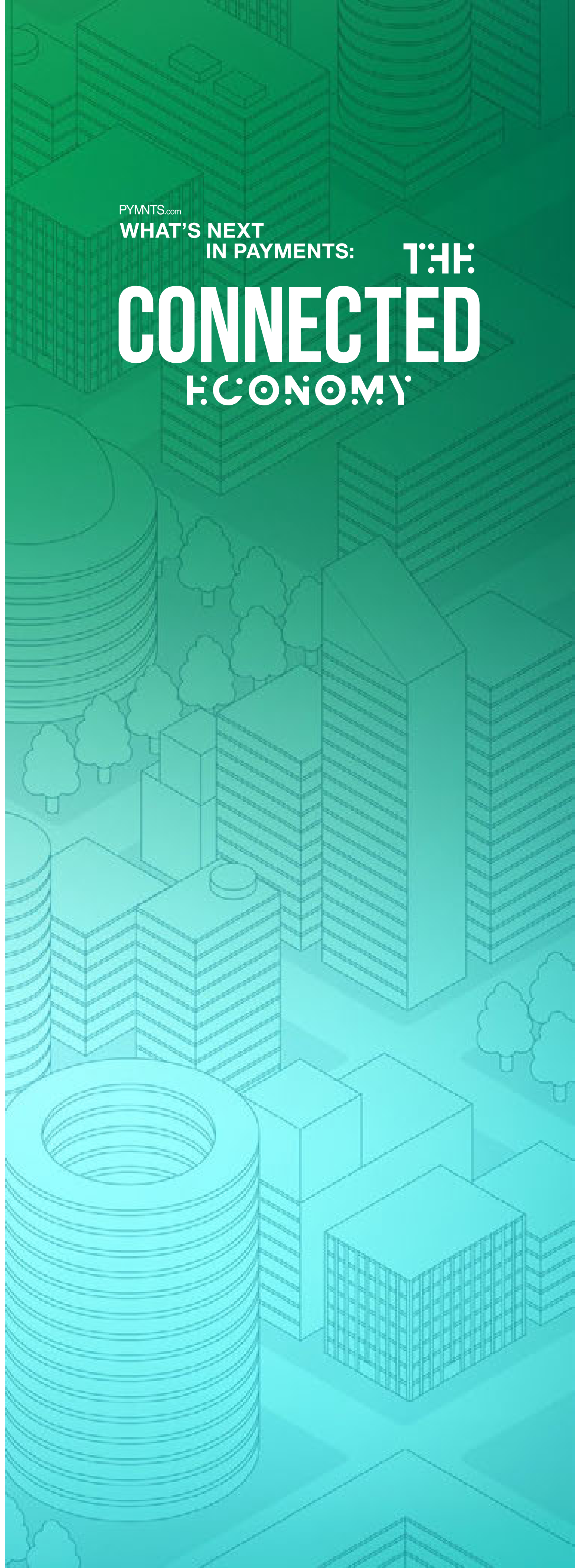
"If you ask who has the best position overall, I would vote for the banks and credit unions – because they are the stewards and trusted sources of data and information on the consumer," said Brown.

With a wealth of data on hand about how individuals pay, and how they want to pay, the traditional FIs serve as a fount of insight for retailers. But up until recently, sharing that data has been a challenge.

Retailers and banks have not exactly been digital-first verticals – they've relied on physical branches and brick-and-mortar establishments – but the great shift wrought by the pandemic has forced them to increase their reliance on digital channels to engage with their end customers.

"What we're seeing now, more than ever, is that digital-first need not mean 'digital-only,'" said Brown. "It's a digitization of the whole experience, wherever it happens. We've seen it in retail, and most recently with restaurants, with order online, pick up at the curb. We're seeing banks embracing that model, too," with contactless interactions at the ATM, for example.

Along the way, said Brown, all stakeholders – especially banks and retailers – are grappling with the challenges of cybersecurity, data protection and even getting more fully online in a streamlined manner.



Partnerships can help enable and expand that digital presence. Brown pointed to NCR's acquisition earlier this year of Terafina, which, billed as a digital-first banking platform, helps with account opening and onboarding across digital, branch and call center channels.

## Beyond The Tech

But bringing together those far-flung parts of the ecosystem, said Brown, involves far more than just getting new technology into place. As new models evolve, another hallmark of the connected economy has been, and will be, collaboration.

Connections across payments, commerce and banking, he said, hinges on cooperation and shared incentives between banks, retailers and their customers, in a coordinated model that taps the value and unique delivery conduit of each of those entities.

There are different modes of incentives, Brown noted. There's the classic rewards model, which can lure consumers with discounts, but the digital age can enable a "blended experience" that benefits everyone – the timely payment helps the merchant, the reward is savored by the consumer, and the bank gets the benefit of increased transactions.

"This is where the power can be unleashed when brought together more deliberately between banks and retailers," he explained. "You get credit for being a great, loyal customer, and the service handling aspect is improved."

Collaboration has an inherent advantage in making sure that firms' efforts are not duplicative, and that the consumer feels comfortable that their data is secure and their time spent on an app – or omnichannel retail experience – is both valued and economized.

## Looking Ahead

A few years from now, Brown said, we may be talking about neural banking – but along the way, he predicts that we'll see a rapid acceleration of demand for digital journeys from consumers, faster technology enablement (particularly with Cloud API) and the connection of ecosystems that not all that long ago did not seem possible.

"The world is wide open," he said of the joint and mutually beneficial relationships between banks and retailers. "And as we look at the horizon, it's going to get pretty interesting."

**JACK ALTON**
CEO

# DATA COMES UP SHORT IN **KEEPING FRAUDSTERS AWAY** FROM THE CONNECTED ECONOMY

As eCommerce has exploded, payments have become more than just transactions, and more than just the last point of interaction between merchants and consumers. Payments have emerged as a force multiplier to drive new businesses and to help firms monetize data, as new commerce ecosystems are constantly being forged and expanded.

For the enterprise, though, the digital-first economy has increased the number of card-not-present transactions. That development has presented a challenge in ensuring that good customers and transactions are getting through and that conversion rates are as high as they can be, while the bad actors are being turned away.

That challenge is important to the continued development of the digital-first economy, and was a key topic in a conversation between Karen Webster and Neuro-ID CEO Jack Alton for PYMNTS' Connected Economy series. From Alton's perspective, actively monitoring and analyzing digital habits – via taps, types and swipes – can help secure connected ecosystems and help merchants fine-tune their offers and products in real time.

At a high level, the role of data and artificial intelligence (AI) in making those ecosystems smart, safe and monetized can be viewed through the prism of a single question: How are we doing so far?

Alton sees a need for improvement. As he told Webster, firms that have migrated a large percentage of their businesses online have had to keep their "fraud guards" up. As payments have moved up and to the right — exponentially so — there have been plenty of opportunities to improve the consumer experience and root out fraud more effectively than what has been done to date.

As retailers are taking consumers into new adjacencies and finding opportunities to engage with them in new contexts, said Alton: "Everybody's looking for new sources to try to replicate these human interactions that we used to have" in brick-and-mortar settings.

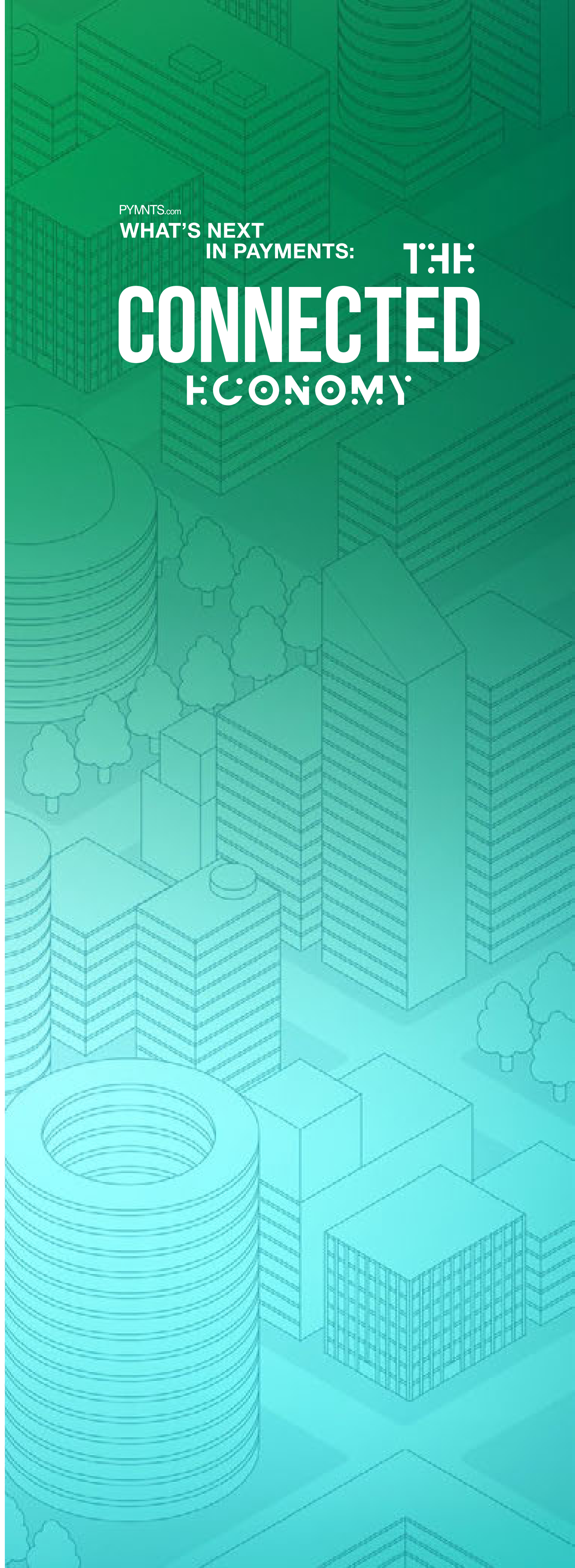
Replicating those interactions depends on one thing: data. Simply put, third-party providers or credit bureaus look at historical data and then try to predict the future. The process determines whether customers are low-risk or high-risk — or whether they are who they say they are. In an in-store setting, verbal and visual cues would help retailers make decisions about risk in the literal blink of an eye, enabling them to forge relationships with their customers on a daily and long-term basis.

"And when you talk about the 'secret sauce' to get us back to that point, to where these collisions [failed sales conversions] aren't occurring, where we're not saying no to our good customers and inadvertently saying yes to our high-risk customers … it really comes down to tapping into a new source of data," said Alton.

Against that backdrop, AI- and machine learning (ML)-driven models need the taps and swipes to detect the behavioral interactions that consumers have with brands every day. These interactions can tell the brand something new every day — whether the consumer is enjoying the experience, are frustrated or might be trying to mask their identities.

Drilling down into those interactions, said Alton, firms can see where consumers are abandoning the engagement, at the point of onboarding or beyond, before committing to transact with that enterprise. It may be one document that needs to be uploaded, or a step-up during the login that proves to be one step too far for the consumer.

That type of analysis takes the friction away from fraud prevention teams, said Alton, so they can systematically go about reducing friction for their



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genuine customers. They can also route the appropriate level of friction for customers who may not be interacting with their data competently (and thus throwing up red flags to the companies). Beyond merely battling fraud, said Alton, there exists the opportunity to "nudge" the would-be customer toward completing their online journey and improving a firm's drop-off rate.

"The challenge has been figuring out when to do that and who to do that with," said Alton, adding that "we have been looking at the behaviors of genuine customers, finding out where there's frustration, hesitation or indecision, or where people are getting lost or confused."

That's the appropriate time to nudge them forward, either with a chat or an in-person intervention, said Alton. He gave an example where a Neuro-ID customer, an online lender, was asking a consumer what their annual income was — but the borrower was asking the lender to look at their hourly income.

"There was a lot of hesitation, there was a lot of pausing," he said of that online interaction. "There was a lot of manipulation of the answers, so that without really understanding the question and the context, it may have looked like fraudulent behavior. In fact, it was just a person who was confused, and trying to do the math on extrapolating their hourly wage to an annual income." But adjusting for such activities — and reducing the friction in that data field — means the drop-off rate was reduced by about 40 percent, said Alton.

Neuro-ID also offers its clients a Friction Index Dashboard that can help them gauge the seamlessness of their customer journeys and smooth out any rough spots, Alton noted.

"We have customers that are leveraging the technologies that have experienced a doubling conversion of points in their customer journey that used to have 30 or 40 percent abandonment," he said. "You have one chance to make a great first impression. That's not just in person — that's true digitally, too."



# 'IT'S **COMING UP** PAYMENTS EVERYWHERE'

## LIZA LANDSMAN

General Partner

New Enterprise Associates

For consumers' payments and commerce behaviors, a year of hanging out at home and having to relocate almost everything to online has not been an entirely bad experience.

On the bright side, it has created an opportunity for consumers to experience different choices via growing digital ecosystems. But a fast shift is never an easy thing to do. It means that all of that new potential opportunity for consumer businesses out there has come with a heaping side-order of complexity and stress that will need managing for a long time to come.

"There is so much complexity in our daily lives these days that I think that the quest for simplicity and ease of use is going to be with us for a long time," New Enterprise Associates (NEA) General Partner Liza Landsman told Karen Webster.

NEA is a venture capital fund that focuses on technology and healthcare. The quest for simplicity in those areas is a critical investment factor. As Landsman told Webster, NEA is seeing the connected economy accelerate, powered by payment capability that is embedded in the background more and more commonly across verticals. In healthcare, back-office technology, retail inventory management and other areas, embedded payments capabilities are adding value and reach for the firms that integrate them.

Embedded payments are being used by many of NEA's clients. Think Starbucks, Landsman said, since the way it embeds payments into its mobile app is a useful way to visualize the concept. Every company that can incorporate payments into the experience risks falling behind the curve by ignoring them.

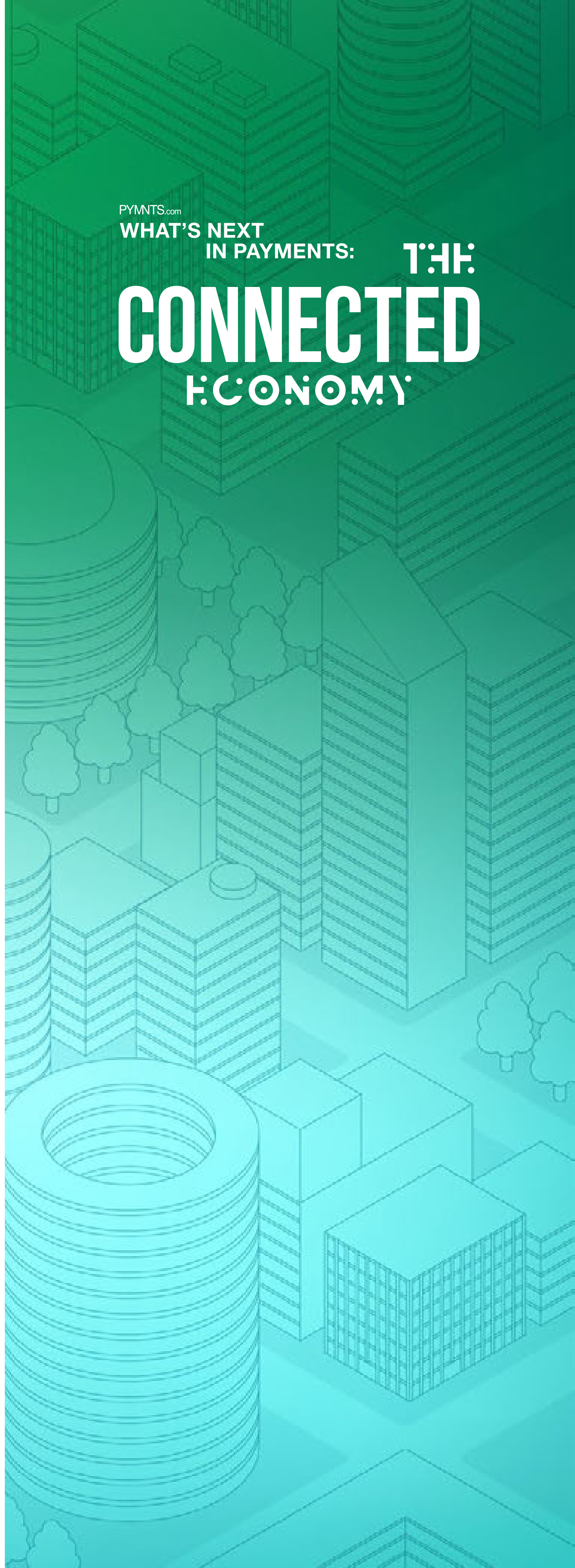
At this point, she said, "it's coming up payments everywhere." And where payments go, firms are seeing more cohesive, pleasant and secure experiences follow.

## Embedding Payments Properly

The problem with payments isn't that they don't automatically add tremendous value and function for the firms that add them, Landsman said, as there are so many examples where they clearly do. The challenge is understanding from the outset that building payments capability is harder than flipping a switch and letting the transactional good times roll. It is a good deal more complicated than that, something many players don't realize until they actually find themselves in the business of trying to manage a payments flow. If payments aren't a company's core business, which in the vast majority of cases they aren't, the risk of failing from not understanding them is far from hypothetical.

"Never underestimate when you are the entity handling payment flow the potential for fraud to occur inside your system," Landsman said. "The level of attractiveness of your business to bad actors when you are moving money goes up exponentially. And that may be a risk that you had not really thought about previously or not really hardened your system for or thought about structurally either from a staffing or an infrastructure perspective."

There can also be a risk that when embedding payments, firms will overlook how high consumer expectations have become, she said. They're looking for a process much harder than clicking a button and a biometric fingerprint scan to authenticate the transaction and keep it moving along smoothly.



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### The Growing Range

Small- to medium-sized businesses (SMBs) have historically been underserved by technologists because they are at base a very hard demographic to address given how fragmented and resistant to change that they can be, she said. But the pandemic has fundamentally changed the segment which is growing — and quickly.

"We're now at an all-time high [of SMB formation]," Landsman said. "They're growing at a faster rate than post the Great Recession. And this generation of small-business owners are much more likely to be digitally native. And so, we're seeing huge ecosystems or large numbers of companies pop up to serve that ecosystem."

What has become increasingly clear, no matter the size of the firm or the vertical it is playing in these days, is that the inherent trapped value and opportunity to access it creates entirely different business dynamics, she said. The plans for tapping into it vary.

Players seeking funding in healthcare tend to enter with more fully developed platforms with comprehensive solutions sets. FinTech players tend to start with more specific use cases with visions of expanding concentric circles and addressing an enterprise scale audience with the solution.

Beyond finding new ways to make it smoother, more secure and more convenient for customers themselves, she said, there isn't a magical single path answer for leveraging payments into an expanding role in the connected economy.

"There's a strong desire, whether you're a consumer or a small business or middle market or enterprise to buy a solution instead of a tool," she said. "And I think it's a very powerful trend because we see a lot of great companies that have great technologies, but the correct first question to ask is almost always going to be, 'So whose problem are you solving?'"

**SOUHEIL BADRAN**

EVP and COO

Northwestern Mutual

# NORTHWESTERN MUTUAL THINKS OUTSIDE THE BOX TO MEET **CONSUMERS' REAL FINANCIAL NEEDS**

We all know the standard financial planning tableau: The smart office containing the eminent adviser, holding the leather-bound folio of the future containing "The Plan." The lifetime plan for financial wellness — home to the 401K, investments, etc. that will make sure the client is adequately funded over the course of their life. After a quick run through the leather book, the adviser shakes the client's hand and sends them on their way, with a plan to "see where you are" in a year or so. They might check in occasionally, but interactions with a financial planner are generally few and far between.

It is traditionally a fairly hands-off world, Northwestern Mutual Executive Vice President and Chief Operating Officer Souheil Badran told

Karen Webster in one of PYMNTS' ConnectedEconomy™ conversations — and the best-laid, leatherbound plans often wander off the prescribed path.

"You may have had a life event and changed your direct deposit. A child may have been born. One of your kids has left the home and now you're an empty-nester, or somebody is getting married, et cetera," Badran explained. "Those are signals that it might be time for a client to revisit their financial plan, but without having access data, those changes wouldn't be known until the next scheduled call. So, we're trying to be more proactive."

Northwestern Mutual is about as far from a startup as one could get — founded 164 years ago, the firm has its DNA in the insurance industry. But it's long since expanded into the world of investments and is now the fifth-largest broker-dealer in the industry. When asked if it sees itself as an insurance firm or an investment house, Badran had an interesting response: It's both.

At base, Northwestern Mutual's advisers, in combination with their advanced digital experience, aim to help clients achieve the best possible financial security outcomes by leveraging the tools of both investment and insurance. Badran noted that the firm's financial advisers are trained to work with their clients to cut through the clutter and

build financial plans that uniquely meet their needs for today and tomorrow.

"Our clients come first, and we're here to help them achieve a lifetime of financial security," he said. "So when we think about client experience, it's focused on bringing that comprehensive planning to life in daily decisions to meet lifetime goals, and on delivering better outcomes and deepening that loyalty."

The focus for Northwestern Mutual is to find a better way to leverage its advisers and its digital technology to create a better, more curated customer experience. For all the power technology has, the firm believes that financial advisers working in tandem with that tech is the best way to actually help consumers. The combination of insurance and investment is ideal, said Badran — because managing risk should be part of any long-term financial plan, and unknown factors can easily set a plan off course.

In fact, he pointed out, we all got a very real-time lesson in 2020 with the onset of COVID-19, and spent the majority of the year reacting to well-laid plans being utterly decimated. Every aspect of our daily lives changed overnight — and consumer demand rewrote itself. The embrace of things like instant payments, mobile wallets and food delivery platforms weren't invented by the pandemic — they were already on the rise before then. But COVID-19 radically accelerated digitization, transforming it from a nice-to-have to a need-to-have virtually overnight.

And with that overnight change, Northwestern Mutual has seen the entire market start to think more comprehensively about what it means to really serve a client's financial needs. The question in the connected era, said Badran, is how to make it as simple as possible. The competition is to build the easiest experience across the board, whether the customer is collecting a refund or insuring a business — and to find the right set of partners to make one's offering and ecosystem more useful to the consumer.

In the connected economy, Badran noted, what it means to help a customer manage their financial lives is changing and expanding — and improving. Because with connectedness, clients are increasingly able to drive their own financial destiny and

better manage their money.

"Ultimately, our aim is to create a different experience for insurance and investments," Badran concluded.

# HEATH WELLS

Co-founder and Co-CEO

NuORDER

# B2B FASHION MARKETPLACE ADDS PAYMENTS TO MEET INDUSTRY CHANGES

Back before the digital-first economy became a primary force, brick-and-mortar retailers staked their claim to the curious customer on their windows. In fact, as global retail consultant Debra Templar famously told her clients: "The first impression a person is going to get of your shop is from its windows, the front door and the outdoor signage. Many a decision on whether or not to enter is going to be based on this first impression."

The concept of visual merchandising literally made iconic department stores like Macy's, Lord & Taylor and Saks Fifth Avenue. But it arguably has been lessened by eCommerce with its design demands on cramming as much product onto the home page as possible. But no matter who one is selling to, Heath Wells, Co-founder and Co-CEO at NuOrder told Karen Webster in a chat for PYMNTS Connected Economy Series, the basic rules of retail still apply.  An offering has to be visually appealing. And yet while that kind of thinking is readily apparent in the B2C world, in the B2B space where NuOrder operates? Not so much.

"I think the unique thing about us is we've really taken the concept of eCommerce and applied it to the B2B side," Wells said. "And if you see our platform, and go to our website, you see it looks beautiful. I don't see that kind of same thinking in a lot of other B2B marketplaces. It's either straight lines of code or, images are all hidden under multiple clicks."

And while this observation can seem basic, it has proven to be easy to miss. To shockingly easy to miss. To build a connected B2B commerce experience, just as it in the world of B2C, companies need to make the online buying experience a smooth, seamless and easily navigable for retailer buyers shopping for inventory. And NuOrder has taken the design concept into action. It connects roughly 3,000 brands to half a million retailers doing roughly $1.3-$1.5 billion in B2B transactions a month in transactions between parties.

The goal, Wells said, as the firm continues evolving alongside the retail marketplace, is to build out a two-sided network designed not only to provide the next revolution in retail procurement but to power the great sea change that is coming to the ecosystem as a whole.

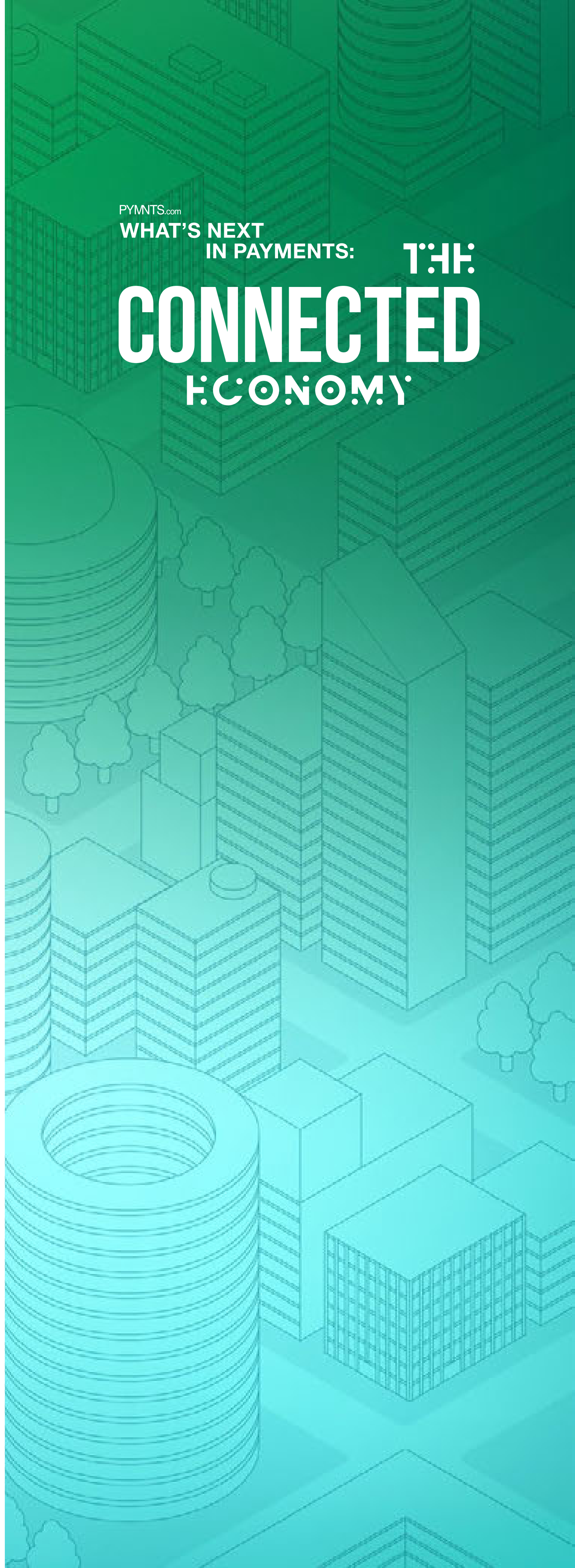
## Replacing The Excel Spreadsheet

NuOrder didn't start out as a marketplace. It first existed more as a digital catalog for retailers to search through, but added payments services in the back half of last year as it became increasingly apparent that this was in fact a desperate need across the segment. He said his competition became the Excel spreadsheets that massive enterprise scale retailers were using to manage their purchasing on the backend.

"We're really replacing spreadsheets, that's the thing no one believes," he said. "The majority of retailers we talk to, $10 billion a year retailers and they are managing everything with Excel. It's hard to believe that's how they do their buying."

What NuOrder has built is a full virtual showroom supported by a complex suite of ordering and, more recently, merchandising tools they can offer to retailers. The goal, he noted is to keep on delving deeper into the supply chain and unearthing and solving problems as they go. The NuOrder network is fully integrated and connected such that that any solution is designed to function with all of the other pieces of the platform, no additional integrations or product purchase necessary.

Perhaps just as critical, he said, as offering the digital space to make it all happen, NuOrder is equally committed to creating something of a digital



PYMNTS.com WHAT'S NEXT IN PAYMENTS: THE CONNECTED ECONOMY

Rosetta stone so a host of brands and retailers with their own esoteric descriptions sets can communicate via a lingua franca that connects them all.

"To really unlock a lot of the AI and the data science the first step is how do we get everyone talking the same language," Wells said. "We think the brand should still be able to use their language. But then what should happen is we should all agree on a common language and a common nomenclature. That is our second language - the same for every retailer and brand on the platform so we can all map into this common language."

NuOrder, he said, isn't the inventor of this concept - but he said it is positioned with thousands of brands and hundreds of thousands of retailers to motivate the creation and adherence to that common core commerce language, as those brands want access to all those potential retailer buyers.

### The Coming Reshaping

In a pre-pandemic world, Wells told Webster, the average retail buyer spent about 120 days on the road looking for product and making their decision on fashion collections months and months ahead. The pandemic largely shut that down, he said, and gave virtual commerce hubs like NuOrder a great push, he said, but buyers, he said, are going to get back out there again.

But, he said, it won't be the same. It won't be the same weeks and weeks spent on the road sketching out purchases for collections shopped half a year in advance. Because the apparel industry, is evolving beyond seasonality. Consumers aren't interested in that long cycle, he noted, and that means buyers don't have the time to be on a shopping tour for 120 days a year. Connectedness, he said, is changing the retail economy on both the front and back-end, he noted. The digital commerce opportunity NuOrder presents is what merchants are going to need to keep up with the new pace of retail.

"It really will become a business in which there'll be new drops every month or every few weeks," he said. "And I think the customer is going to enjoy that. And at the end of the day, we don't want to be buying down jackets when it's hot outside . We really need to get back to, you're walking, you're enjoying your Saturday afternoon, you walk into the store, there's a nice shirt. You want to buy it so you can want to wear it tomorrow. It has to be like that."

**JARED KAPLAN**

CEO

OppFi

# TECHNOLOGY HELPS **LOCKED-OUT CONSUMERS** ACCESS LENDING

The problem of unbanked consumers — those without access to a checking or savings account — has remarkably improved, with over 95 percent of American households reporting access to basic banking services, according to FDIC data. But the same data indicates that a little under 20 percent of the population is underbanked and can't gain access to the full suite of banking services — particularly lending and credit underwriting — because they don't qualify. They either don't have enough credit history, or their credit history makes them look like a bad risk by traditional metrics.

"Looking at the macroeconomic data, there's a huge swath of the population that feel they've been abandoned, and that doesn't make any sense. The state of technology is too good to let this go on," OppFi CEO Jared Kaplan told PYMNTS in a recent conversation.

Those roughly 60 million people who lack access to systems need new digital front doors, he said, because the traditional credit scoring mechanisms used by banks simply don't see them clearly enough to approve loans or extend credit cards.

But the problem doesn't lie with the potential borrowers so much as with the traditional FICO scoring that is used to evaluate them. In Kaplan's mind, it simply doesn't capture a complete picture of the consumers, their spending, their saving and the entirety of their financial lives. OppFi, he noted, offers banks an alternative in credit risk evaluation that allows them to extend their services to more customers. Their technology product is first centered on credit decisioning that leverages artificial intelligence (AI) coupled with alternative data streams to "see through what we don›t think is a very predictive metric to determine someone›s creditworthiness," said Kaplan.

With that clearer picture in mind, he noted, OppFi can empower banks to extend credit to consumers who have lacked access in the past, leveraging the power of AI-based and fully automated tools for consumer acquisition and onboarding. In turn, it can open up the competitive landscape when it comes to serving a class of consumers who have gone underserved. And while there has been a push to move these services away from the banks that have been historically uninterested in providing them, said Kaplan, banks do regulatory compliance and oversight better than any other player in the game — they just need an incentive to enter the space.

And he believes OppFi can create one.

"Thus far, we haven't seen much from the traditional banks, and that's where we come in. Now we can power banks," Kaplan said. "The community banks and regional banks are looking for ways to compete with the much larger banks. This is a massively underserved market, and by getting into it, they can gain some market share, because they are the best-positioned to offer this product with the best structure and the best pricing."






## The Inciting Event

While there is sometimes a tendency to believe that the underbanked are credit-averse, Kaplan said that obscures the issue in some ways. The event that pushed him into the firm in its early days, he said, was a call from a customer who was able to arrange a loan via OppFi's services that allowed her to keep her daughter in school after a tuition hike. These are life-changing events for consumers, he said, and ones that leave them grateful, loyal and more fully disposed to building a long relationship.

The underbanked are often regarded as an unprofitable sector, noted Kaplan, but when tapping their potential over a lifecycle of leveraging financial services and tools, that equation looks a lot different. OppFi's mission is bigger than just helping consumers access personal loans — the firm helps them build the kind of credit history they need to fully take part in the "financial mainstream."

Part of OppFi's offering is educational modules designed to teach people how to budget and take better care of their finances. That education content must be connected to its bank products, Kaplan explained, because the goal isn't just to help consumers access financial services one time, but over the course of their lifetimes. That's why the company is expanding its tools for consumers with the OppFi credit card, which is planned for the second half of this year.

"It starts with access, but there is still a whole lot more to do," said Kaplan. "[We are looking to] build out the more connected ecosystem and demonstrate our ability to graduate customers from a more esoteric product to something that is more mainstream over time, by cross-selling some traditional mobile banking services and other products that the customer deserves and needs."

Because with tens of millions of underserved customers, there is an opportunity to do the right thing in financial services, Kaplan noted — in a way that also happens to be the smart strategy for banks looking to build out a more competitive future.

**RUSSELL CUMMER**

Founder and Executive Chairman

# TRUST IS THE KEY TO ADVANCING JAPAN'S CONNECTED ECONOMY

There is a tendency to associate cash-based consumers with developing economies and the world's unbanked population.

The cash-based customer, conventional wisdom goes, isn't using cash from desire but from necessity, and offered something better by the transformative power of technology to digitize their funds, they will willingly jump at it.

And while that pattern may hold true in much of the world, it doesn't work all that well in describing Japan, where the vast majority of consumers have bank accounts in one of the world's more developed and regulated banking systems and still show an overwhelming cultural preference for using cash to pay.

That preference, Paidy Founder and CEO Russell Cummer said in a conversation with Karen Webster, has meant eCommerce has developed comparably slowly in Japan compared to the rest of the world because there is so much friction, or what the Japanese call mendokusai, associated with eCommerce transactions. Consumers are either stuck waiting at home for a few hours so they can pay the delivery guy for their purchase, or they have to run out to a physical store to supply the cash and pay such that they can log back in, prove it, and actually finish their online transactions.

Either way, Cummer said, it's a lot of unnecessary friction and harder than it has to be, and something Paidy is premised on fixing in the Japanese market. And not by asking consumers to do anything differently, he said, but by meeting them where they are with their cash payment preferences and providing a trusted path to making cash compatible with paying instantly online.

"We just see all of these other things that are super mendokusai, and we see an opportunity to either build something new to address it, or make an adaptation to our existing product that solves it," he said.

## A Bridge Into Digital That Isn't A Bridge Too Far

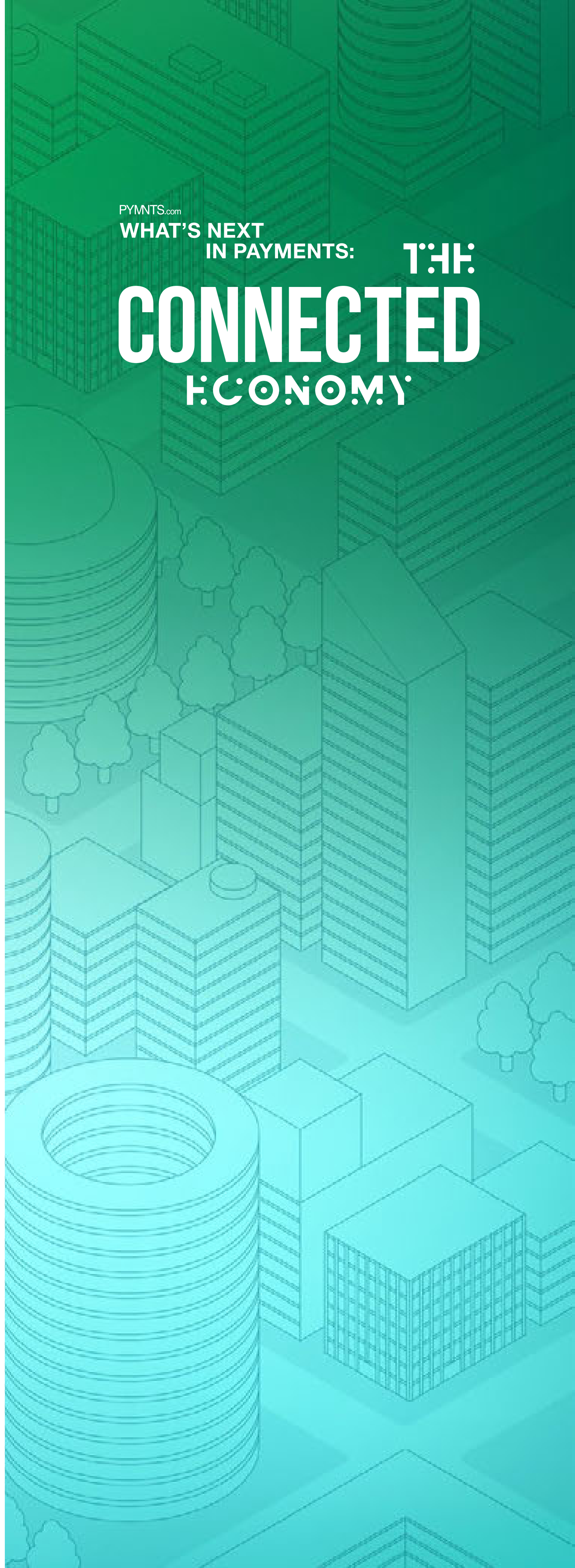
Broken down most simply, Paidy provides an easily accessible digital payment method for Japanese customers that allows them to make a payment in one click via Paidy — and then travel to a convenience store or other physical location, present a QR code for quick scan and hand over the cash for that payment. They can pay it all in one lump sum or over the course of a few preset installments.

Paidy isn't trying to hand Japanese customers a product that looks like a traditional credit product, he said, because what its customer base has made quite clear is that they don't want a traditional credit product; they want an easier way to shop online without having to use one.

Moreover, Cummer said, as Paidy has grown to 5 million regular active users, its ambitions have expanded in terms of what it's bringing to its customer base.

"We see that there's a role for us to play, which is making people more and more comfortable with digital commerce activity by bringing things like subscriptions for digital goods and instant purchasing in terms of eCommerce and mobile commerce without having to jump into using a payment method that is kind of a bridge too far for some people," Cummer said. "Because we're letting consumers do exactly what they want."

Consumers are managing their budgets and paying in cash the way they have strongly demonstrated



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they prefer, while Paidy facilitates a consolidation ladder that allows them to transact digitally and instantly in over half a million digital destinations.

### Trusting Is The Secret To Developing Trust

Paidy aims to offer a different, and radically upgraded, commerce experience for its customers, but the firm was still something new when it first entered the market 12 years ago in a conservative commerce culture known for being hesitant about adopting new payment ideas. Webster wondered how Paidy won the trust of Japanese consumers.

Cummer said the answer is simple if a bit surprising. Paidy built trust by offering it to consumers. Getting a card account in Japan can be incredibly difficult, he noted, partially because of very strict know your customer (KYC) regulations under which Japanese banks operate, partially growing out of an attitude that trust can only be extended to those who have proved themselves worthy of it. Extensively.

Paidy, he said, asks only for a Japanese phone number from consumers, and then they are off and running, ready to make a purchase from the word go, more or less. Obviously, as a payment firm security is priority one, and all that ease of use on the front end requires a lot of smart security on the back end to keep fraudsters from attempting to take advantage of their trusting nature.

"For us, you don't do anything," he said. "We trust you. We do all of the hard work. We want to trust you, so we do. And then you start that relationship from trust, and people are delighted. Starting from trusting has been a huge differentiator, not only in terms of the consumer experience, but that relationship with the consumer and how it then goes over time."

### An Enhancement, Not A Disruption

The goal for Paidy isn't to disrupt traditional finance in Japan — a fact that the number of banks on its board of investors gives line to. Paidy is grateful for the banks, the services and stability they provide and the financial services ecosystem they allow Paidy to exist in. He said the goal isn't to disrupt the banks, but to augment what they can offer for consumers looking for a better, easier way to transact digitally.

"I don't think we're a disruptor," Cummer said. "I think we're a facilitator certainly for merchant partners, certainly for consumers. And if there's a role that we can play in the ecosystem to take things forward and then inspire others to also make their consumer experiences better, I think that's great. I would be extremely satisfied as a founder, if that was part of what we were doing."

# DAN SCHULMAN

President and CEO

PayPal

# PAYPAL'S DAN SCHULMAN SETTLES INTO HIS ROLE AS **CATALYST**

At this point in the connected economy's lifespan, there are some new but still developing definitions. "Neobank" comes to mind as an online-only financial institution (FI). "FinTech," of course, is another one. It is defined as a company that brings financial services to consumers with a better and more innovative user experience, but the term has lost its clarity due to overuse during the last year. Every company is, or wants to be, a FinTech.

But there is still one company that defies category and doesn't fit into a neat vocabulary. That company — arguably the most dynamic creative force in the connected economy — is PayPal.

There are some words and phrases that do fit PayPal. It was a disruptive force in the payments category when it launched its peer-to-peer (P2P) payments technology in December 1998. As corporate legend has it, when PayPal started to gain traction in

1999 and 2000, credit card networks were so unsettled that head hunters and recruiters couldn't keep up with the number of emails from legacy company executives. "Payments network" also fits, as PayPal is still based on money movement. But nothing fully captures PayPal's spirit, intent and business model in the current lexicon of the digital-first economy. In fact, the closest term requires going beyond financial phrases – because in the connected economy, PayPal is a "catalyst."

By the book, a catalyst is "an agent that provokes or speeds significant change or action." And the term just might fit PayPal President and CEO Dan Schulman perfectly. From its start in 1998 to its sale to eBay in October 2002, the firm literally created the concept and execution of P2P payments outside of the traditional payments networks. By 2008, it had 150 million end-user accounts. In September 2013, it bought Braintree and its then-developing P2P platform, Venmo. In July 2015, it separated from eBay and became an independent, publicly traded company.

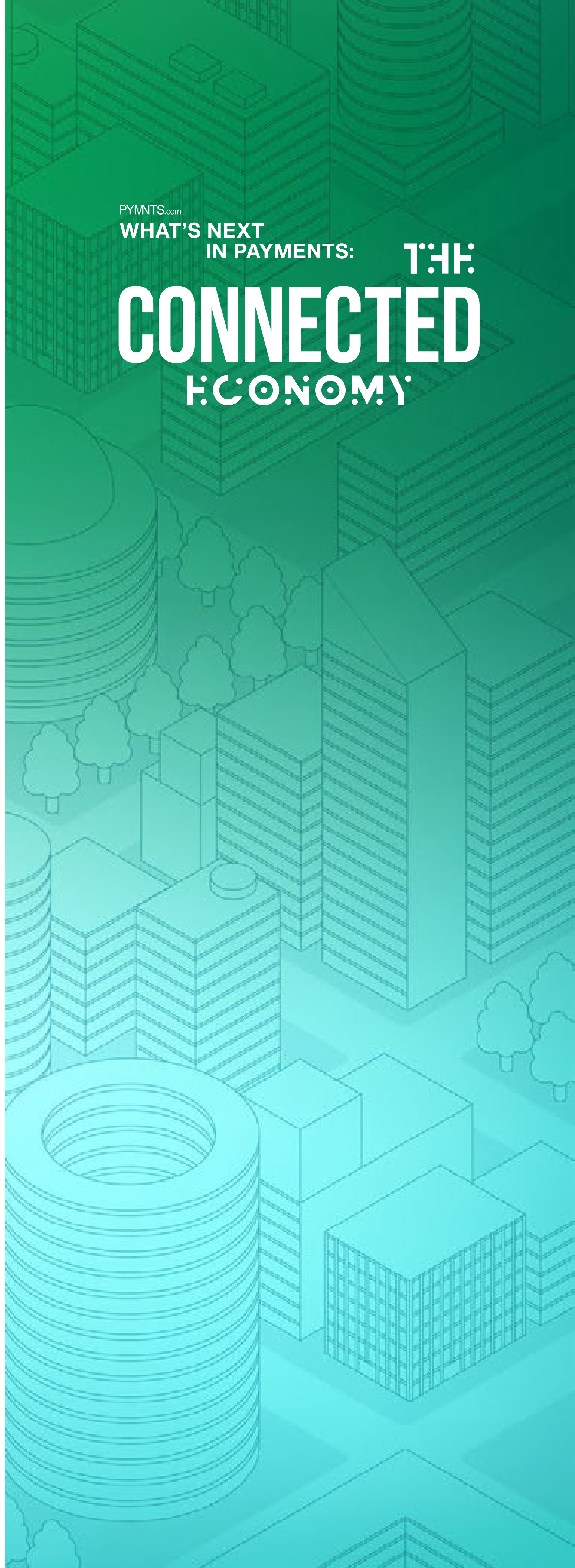
Since that time, PayPal has built a company that now has 377 million active accounts, with 16 million of them added in Q4 2020 alone. And as evidence that it has transcended its P2P roots, 10 million customers used PayPal in-store during Q4 2020, with $20 billion of total payments volume coming from in-store transactions across QR, tap-and-pay and cards.

"The future?" Schulman asked when speaking with PYMNTS CEO Karen Webster for the ConnectedEconomyTM series. "I think we've [obviously] come a long way from the button. We have a whole suite of services now that enable both consumers and merchants to … move into the digital era and thrive."

In his interview with Webster, Schulman made it clear that regardless of what his company is called, PayPal has a very clear plan to continue its role as a catalyst for payments — but also as a force that connects disparate elements in the digital-first economy. During the conversation, he focused on three areas where the company will continue to be that force: its core payment offerings, inclusive access to the future of commerce and the development of a super app.

## Expanding The Core

At its center, PayPal — which has over 29 million merchant accounts — connects merchants to consumers and merchants to payments. As Schulman pointed out, it has come a long way from the online "buy" button, and has focused some of its late 2020 and early 2021 efforts on expanding those core payments services, helping merchants connect to technology and the consumers who use it. For example, PayPal expanded its global Pay Later solutions when it launched its buy now, pay later (BNPL) service in 2020, called Pay in 4 (Pay in 3 in the U.K.). PayPal was also one of the first non-bank institutions approved to accept applications for small business loans through the Paycheck Protection Program (PPP) in April 2020. Over the course of the year, PayPal facilitated PPP loans to more than 75,000 businesses.



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PayPal has also expanded its commerce platform for merchants. Its standard online product, PayPal Checkout, has been expanded to include BNPL, Venmo and PayPal Credit. It has also been at the forefront of using its digital wallet for contactless payments, expanding its usage into mobile payment systems that can work in-store. PayPal Here enables merchants to turn a mobile phone or tablet into a portable payment center accepting contactless payments that will include Apple Pay, and will also accommodate more traditional methods, like mag stripe.

The way Schulman sees it, the trend toward contactless payments and other touchless tactics, like curbside pickup, will continue beyond the pandemic. He maintains that digital channels need to be optimized from end to end. And he agreed with Webster that the next step for merchants may not be the digital-first economy so much as the "bring it to me" economy — but it might not be found in the usual delivery spaces.

"How do I go to where they are as opposed to having them come to me?" he asked. "I think we're seeing that in some of the close, but not consummated, acquisitions that people are contemplating. Look at Walmart teaming up with TikTok. This is really about connected commerce, where consumers and merchants are having to reach out to each other. Because I don't think we're going to see people going to 20 or 30 different retailers to get all these different things. I think retailers need to come to them. They need to address their individual demand curve, and their need for customized, personalized offers."

### Catalyst For The Digital Economy

Schulman noted that within PayPal, discussions about merchants, especially in-store, center around tying in loyalty and data to the payment experience. In the past, merchants didn't know much more than the transaction amount and the type of payment used. Deploying mobile solutions provides more data and opens up new options for payments.

That's where PayPal's connected strategy of giving merchants and consumers access to the future of payments comes in. With a digital retail experience, said Schulman, a merchant can control coupons, loyalty points, type of currency and type of payment, including BNPL. It's not the form factor change that's important, he explained — it's the change in the value proposition that the form factor provides.

Those form factor changes have provided some of the biggest headlines for PayPal, and have given merchants and consumers access to two of the most potentially disruptive payment methods: QR codes and crypto. QR codes, which PayPal rolled out in May 2020, are currently being integrated into Venmo. On March 30, PayPal introduced Checkout with Crypto, which will allow PayPal customers with cryptocurrency holdings in the U.S. to check out with crypto.

At the time of its announcement, Schulman didn't parrot the standard lines about the potential of crypto as an investment, or about using crypto as a payment method for the chosen few. He foresees it as being an inclusive, ubiquitous, everyday payment method. It's part of his belief that PayPal has been a catalyst for change in the way that financial inclusion is taken from concept to action in the connected economy.

"This is something that can't be overstated in terms of its importance moving into this digital era," Schulman said. "It can be a very exciting era. It can be something that enables small businesses to not just survive but thrive. But there's the need for broadband everywhere, so people have that connectivity even in rural areas and smaller towns. We need to do training because most small businesses are used to only serving their local community. When somebody puts PayPal into a small business, 75 percent of their PayPal sales come from out of state. You can still serve your local community, but now you can serve a much broader community and thrive as a result of that."

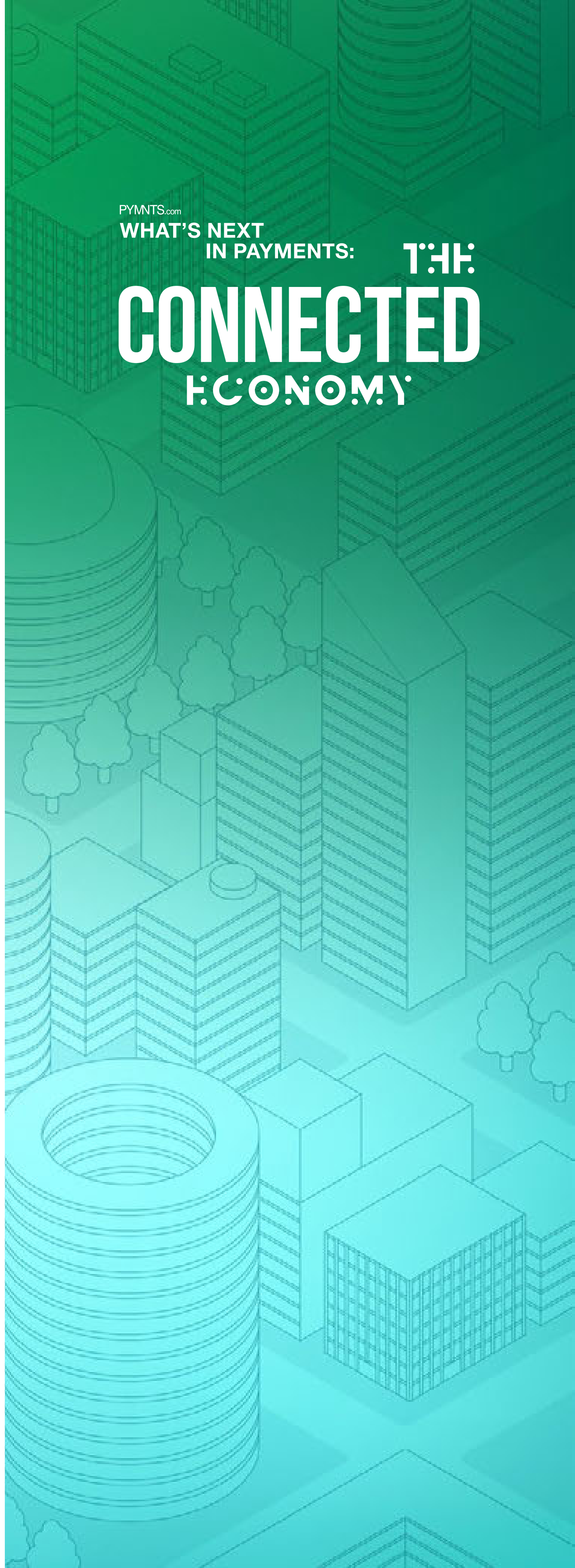
## Catalyst For The Future

Especially since the company's Investor Day, Schulman has become something of an evangelist for what could be the ultimate connected economy tool: the super app. Schulman, among other tech executives, believes there are too many financial apps and too much friction for consumers forced to toggle between them. The super app, which PayPal is in the progress of building, would manage payments, shopping, savings, investing, budgeting, crypto and identity — all in one place.

"No consumer is going to have 40 or 50 apps on their phone," he told Webster. "We don't want to use the same password for every single one of them, even though we do. That's why a consumer's information is stolen every two seconds, and that's a disaster. And so there must be super apps that come together to consolidate all of your financial instruments. And by the way, those financial instruments include rewards points, and the ability to choose buy now, pay later, or even use QR codes."

In other words, PayPal's role as a catalyst will meet at the super app. The company's future trajectory is pointing that way, and it is in sync with Schulman's sense of the ultimate role of the connected economy.

"On the consumer side, we're a consumer platform, and that has tremendous scale — we can add more and more services where people can live a lot of their digital lives on this app," he noted. "And for merchants who clearly want to be in the digital-first economy, this can be the operating system that enables them to move into a full, true, digital omnichannel experience. I want someone to ask us how to move into the digital world. Ask us how to sell in multiple marketplaces. All of that needs to be part of the products and services that we extend to merchants on one side and consumers on another."



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**ALICE CHANG**

CEO

# BRINGING MAKEUP INTO THE CONNECTED ECONOMY

Buying makeup is a challenging experience at times.

There is no shortage of options: lots of colors, lots of presentations, lots of looks. And knowing what it will look like on a person isn't easy, particularly in the era of COVID-19, when going into a store and trying on a free sample is unfeasible and largely undesirable. Who wants to use public makeup during a pandemic?

But that problem has been around longer than the pandemic, Perfect Corp. CEO Alice Chang told PYMNTS, as anyone who has ever tried to buy makeup online or in a store knows. Samples aren't always available, which means consumers base their choices on promotional pictures in displays, which often show the products on a chosen model or celebrity. It's not too helpful for the customer who is trying to figure out what a product will look on their own face, Chang noted. It's a challenge that seemed like the perfect use case for augmented reality (AR) technology.

"AR is not a new technology — it has been in the market for over 20 years — but the essential or must-have application hadn't yet emerged," Chang said. "And so, we started with makeup and found that it's the perfect scenario for AR technology. I believe beauty and wellness are the fundamental demands of every human being. And I think AR and [artificial intelligence (AI)] is the game-changer."

## The Touch-Free Future

Fundamentally, AR allows consumers a completely touch-free way to try on makeup and get a realistic idea of how a particular color or product will look on them, she said. That ability to buy with confidence makes the makeup shopping experience inherently more pleasant for the consumer, which often gives customers the comfort and confidence they need to buy more.

In addition, Chang said the digital try-on feature also enables the customer to have that same experience whether they're online, on an app or in a store. They can try on as many products as they want until they find the ones that work best for them.

Moreover, the embrace of digital and AI means the merchants and brands bringing cosmetic products to the consumer now have a better, richer way to connect directly to those consumers and make product recommendations to them.

"We need to connect the beauty lovers and the beauty buyers with the brands. Previously, that was always done through the store. Now it is digital, and we can give the users more power to try before they buy, give feedback and interact directly with the brand on the products," said Chang.

## A Better Customer Portrait

When used in combination, AR and AI tech can begin to "know" customers and see them better than they might see themselves, Chang said. For example, the technology can simultaneously process skin shade, skin color, eye color, hair color, facial attributes, face shape and eye shape to better recommend what kind of product a customer might want or need.

"Everybody has different skin conditions, and the breadth of their knowledge is usually limited to a product or two," Chang said. "With data, brands can recommend the best skincare routine and product lineup for their users. I think this is a win-win for the brand and for the customers."

She said she believes that capability will continue to develop and deepen, even as the pandemic passes into the footnotes of history, if only for the fact that more people will go back to wearing full-face makeup again, while likely still remaining hesitant to use public makeup samples or have strangers at a store counter touching their faces, especially when there is a better, safer, proven way to do it with much lower contact.

AR, for the brands that have rolled it out, is that better, safer option because, as Chang said, buying makeup shouldn't have to be an act of faith.

**SAMEER NIGAM**
Founder and CEO

# PHONEPE ADDRESSES **MASSIVE SCALE** OF INDIA'S DIGITIZATION

There's nothing like a shock to the system to break through inertia and motivate necessary change. The rise of the digital-first economy during the past year is a testament to that as new financial business models and payment methods gained traction at a scale and speed that could only be imagined years before.

But for Indian consumers, the great shock that forced the digital shift didn't happen in 2020 but in 2016 when in November, demonetization was announced to a population of 1.3 billion people who largely weren't ready for it.

By way of background, demonetization was the result of a new financial policy Prime Minister Narendra Modi launched in November 2016 when he announced on live television that all

500 and 1,000-rupee notes, roughly equivalent to about $10 or $20 would be banned in four hours' time.

At the time, Modi's move was meant to do two things: wipe out the "home cash" savings the country's citizens were stashing to avoid taxes, and bring an economy that was 90 percent cash into the digital world. It caught the country completely unaware, and lines to withdraw other denominations of cash stretched for blocks.

But payments platform PhonePe was ready. It was at the time the only non-banking app to launch on the new unified payment interface (UPI) when demonetization happened. The UPI is a system that combines multiple bank accounts into a single mobile app (of any participating bank) and introduced peer-to-peer (P2P) payments as well as digital wallets to the country. This meant there was suddenly a massive population of cash dependent consumers who needed to send money in a market that had just banned cash.

"So suddenly everyone had to transfer money, and we were basically the only show in town," PhonePe CEO Sameer Nigam told Karen Webster.

Within three months, PhonePe had 10 million installs, he said. Within four, it merged into India's primary eCommerce platform, Flipkart, and as of today, it has just shy of 300 million active users. At a time when the Indian economy was desperate to be connected to new technology, PhonePe was the connector. And now that India has become considerably more digitized, PhonePe is still one of those connectors between technology, consumers and their money.

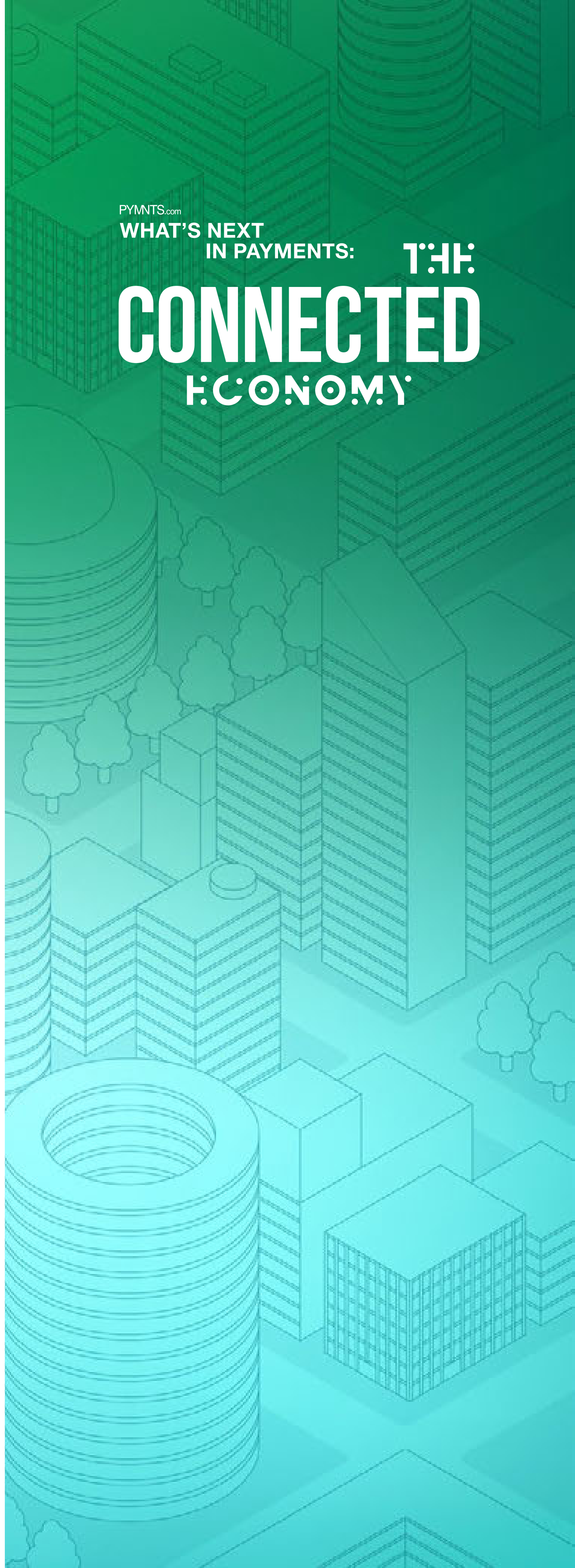
"We believe that payments will reach a billion people," Nigam said. "After mobile data and cheap smartphones, I think we will get there. And unless everyone migrates to digital payments, the eCommerce markets [in] all these other categories won't even really scale up. It's almost an infrastructure issue."

## Digitization Replaces Monetization

But the opportunity beyond the infrastructure — the services and offering that can be built over and on top of it — lies in the true potential of digitization. For PhonePe it is about opening up access to other financial services like insurance or mutual funds or giving their customers access to a single point where they can shop, buy food and purchase traveling tickets all in a single, simple format.

He said further opportunities to advance the connected economy will be supported by coming changes to the financial sector that will make it possible for consumers to sign on with investment accounts with the click of a button from their phones. It will also be seen in changes to the UPI that will make it possible for merchants to set up subscription services for their customers.

The most exciting change, although one less likely to gain a lot of attention, is a change to the bill pay platform



that will open up direct digital payments in 50 or 60 segments nationwide so that even a consumer living in a rural segment will be able to pay for their kids' school, buy insurance and pay their parking tickets all from their phone, he said.

Consumers' ability to transact should not be limited to physical locations, Nigam said. But in India's cash bound past, they were. A cab driver who wanted to get a loan to purchase their car couldn't because they were paid in cash and had no way to verify their income. Driving digital payments forward in India isn't about convenience for consumers as it is in so much of the developed world. It's about building capacity to do things that large segments of the local population have lacked access to.

"These things are just so revolutionary in India," Nigam said. "For the first time, people in the heartland in rural India are reaping the same sort of technology benefits or dividends that [have] been available to so few of us in the web era. That level of customized services accessible to a farmer in India or to a migrant worker who is stuck during COVID is unprecedented. Because in the formal economy, pre-digitalization, the number of physical branches that people could visit for an insurance broker or a bank, was an absolute limit. This is a technology meeting India's demographic need."

## Addressing Scale And Innovation Issues

Those needs, he said, will grow increasingly complex as more consumers come flooding into the system, many for the first time, looking to reap the benefits of participation in the digital world. Building the tools they will need will be a team effort. It will require the continued support of the government and regulatory bodies, innovative players like PhonePe and traditional players like India's banks, which are a critical partner in building the nation's digitized financial future.

The goal isn't to compete with them but to find the points of collaboration in features like co-creating credit scores for consumers. Banks are good at being bankers, brilliant at it in fact, Nigam said. PhonePe is good at building apps and platforms, and the market is best served when they aren't trying to do each other's jobs, but to help each other do their respective jobs better.

There is a lot of work to do still, he said. The Indian market is becoming increasingly competitive as players from around the world are looking to stake out their territory in the massive global market. It's a territory where one has no choice but to really go big or go home because half-measures simply aren't compatible with the market itself.

"It's just so fiercely competitive that you have no choice but to think about building for the masses," Nigam said. "You can't build for the niche of 5 or 10 or 15 million and hope to get [a] $100 billion exit or IPO listing."

But, he said, there is a lot to be learned and a lot of power to be picked up when firms are forced to think big and design for the massive bottom of the pyramid when it comes to creating a digital front door big enough for everyone to enter.



**HERMAN SPRUIT**

CEO

pollinate

# WHY **THE BRING IT TO ME ECONOMY** NOW INCLUDES FINANCIAL SERVICES

The typical guiding principle behind banking has been "by the bank, for the bank" — where financial institutions (Fis) have focused on selling products rather than building customer experiences.

It's a model in which, over the past several centuries, consumers have gone to the branch on an as-needed basis. If you need a mortgage, then you go to the branch, or pick up the phone in a clunky process that is paper-based, needs wet signatures and is time-consuming.

"Going to the bank feels like an onerous experience rather than an enabling one," Pollinate CEO Herman Spruit told Karen Webster in a Connected Economy discussion.

In the transformation to becoming digital front doors in financial services — where users log into a secure app that offers a continuum of services — banks are lagging the ride-hailing firms of the world, the eCommerce giants, the broad platforms that let consumers access everything from delivery to digital payments on an as-needed, on-demand basis.

But as Spruit said, incumbent Fis have two competitive advantages when it comes to jousting against digital-first and digital-only upstarts.

Those advantages boil down to trust, and the fact that, despite the conventional wisdom that FinTechs and neobanks will eat traditional Fis' lunches, customer relationships at those same incumbents have proved to be sticky.

Those twin pillars give banks the wherewithal to experiment with their product and service roadmaps without the fear that folks will vote with their feet at their earliest convenience.

"You do trust your bank," he told Webster. "It is safe because of the regulatory environment and the capital that banks have."

And, he added, the switching costs are high.

### Going Mobile First

That's not to say that the traditional Fis are not cognizant of the threats posed by asset-light firms, which don't have to grapple with decades' worth of legacy systems in place. He said the incumbent players have done an admirable job of embracing "mobile-first" approaches to their customer experiences, where the journey starts with the mobile device, with the app that stands as a digital "front door" to a connected series of interactions.

The pandemic has boosted adoption of mobile banking, which has made it easier for banks to continue to invest in data collection and advanced analytics. There's some dry tinder underpinning it all, where the data will be the conduit toward creating a tailored experience for banks' members.

Consumers haven't given banks permission to use that data, he said. And banks think of data as something else "over here," siloed in their operations.

"But I think data is actually the new personalization," he said.

Spruit explained that data is becoming *so* important, a bank should make sure at least 15 percent to 20 percent of its general management team is "data enabled." He pointed to the fact that data can be leveraged to speed up loan processes. A mobile phone can offer up an applicant's address and see, through social media, how friends and family might offer clues to spending patterns (illuminated by account data). Then, a lending decision can be made in just a few seconds.

"You can see my behavioral preferences," he said. "You can see my priorities in my life stage and even suggest 'next best' actions, whether they're saving actions, whether they're spending ones, whether they're buying now, paying later ones."

Data creates ecosystems where boundaries are ever expanding.

### Pivoting

Traveling with the consumer across various stages of their respective financial journeys would represent a marked strategic about-face for Fis, said Spruit.

He noted that banks have historically made money largely on the errors and omissions of their customers, such as when they overdraw on their accounts or take out loans that may not have the most advantageous interest rates.

Pivoting to a proactive approach in which the FI presents those aforementioned timely and relevant offers and suggestions to users for their consideration, may be a bit of a sea change.

Take buying a home, for example, he said. The process necessitates a range of services — perhaps a remodel or development, security, even finding agents or mortgages. An ecosystem can be fashioned that takes the consumer step by step through the process, from beginning to end.

Done well, the fully formed, tech-enabled financial services interaction powered by application programming interfaces (APIs) and platforms can take a page from Alibaba's book, where 3/10/0 means a three-minute online application gives rise to a one-second decision (informed by data points such as mobile phone geolocation and social media that establishes the legitimacy of the applicant), and there are zero manpower hours spent in processing the decision, he said.

There is, admittedly, some heavy lifting involved for banks to get to that level of speed and automation, Spruit said. It's been difficult to integrate several tech stacks to get a single, unified view of the customer.

But when banks do synthesize their data collection and analysis (with partnerships with firms such as Pollinate), they can focus on the view that does begin to take shape. They gain insight into the size of the customer's family, how much they earn, what their banking behaviors might be — all of which can hint at the financial priorities and life stages of that customer.

He pointed to the Commonwealth Bank of Australia (CBA), where, for example, mobile apps can tell mortgage applications what a house is worth, who last bought it, what the applicant's income can comfortably support, and which mortgage advisors might be at the ready to discuss it all.

The user may be hesitant to fully embrace a bank-led interaction, but they'll get there, suggested Spruit.

"Banks have got hundreds of thousands of merchants, millions of consumers," he said, adding that "they've got 8 million consumers on their app."

Most countries have three or four big banks. So, by and large, they have 20 odd percent market share each.

"You're going to have to make a heck of a lot of mistakes to have that taken away," he told Webster.

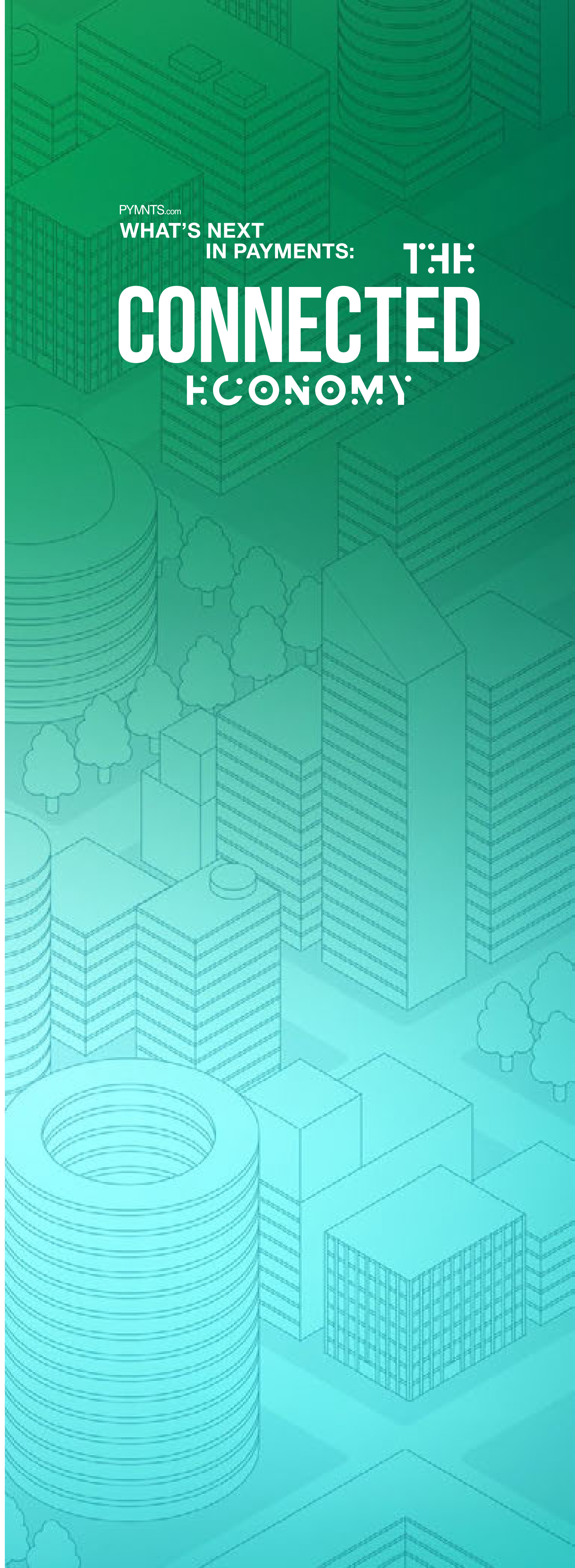
Of those bank-led journeys, some of the banks doing it themselves and some of the FinTechs and neobanks are actually making it easier or setting examples for Fis to follow, he said.

Compliance and regulations may be viewed as an innovation impediment for banks, but banks need to be proactive when it comes to oversight, he said.

"Don't be a victim," he advised. "Work with the regulators. Show them why it's safe, show them why you've got the data."

If banks don't do that, they run the risk of becoming mere utilities, while the customer service (and new users) go to someone else.

As Spruit told Webster, the banks that think more deeply about the holistic journey — "and no longer think, 'Oh, I'm going to create some great product, and then we'll throw it over the wall for some branch manager to sell to his local customers'" — will be in a good position to build a new and robust ecosystem.



# MIKE PACKER

Partner

# APIs, INFRASTRUCTURE INVESTMENTS PLAY TO **'WHERE THE PUCK IS GOING'**

In the age of the connected economy, streamlined experiences — less time spent in store aisles, ride-hailing for just-in-time transportation, food on demand — translate into outsized savings of time and money.

As part of the continuing ConnectedEconomy™ series, Mike Packer, partner at QED Investors, told PYMNTS that investors looking to fund the FinTechs and digital-first firms that make it all possible need to take a long-term view, but the changes wrought by backing the right firms can be seismic.

"If you think about just extending that to something like IoT and being able to take more and more friction out of daily transactions, commerce and payments … it's really incredible to think about 'if we unlock another a hundred billion or a trillion dollars of opportunity cost value, what are we going to do with that time as a society?'"

Delivering a continuum of offerings to end users requires the integration of new technologies to make integrations smart, relevant and real-time, using advanced technologies and networks such as 5G and artificial intelligence (AI).

To that end, the word disruptive gets bandied about a fair amount.

## Disrupting With FinTech

"It's hard to define disruptive," explained Packer, "and different people use it in different ways." But to his mind, finding disruptive companies and technologies lies with building out FinTech — a market that is still in its early innings of creation. At a high level, he said, that involves selecting smaller, fast-growing firms with strong management teams and talent. But it also means finding entrepreneurs with vision, who are anticipating where the puck is going, so to speak, in financial services.

There's at least some commonality across the payments space, noted Packer, at least in terms of technology. "If you look back over the past five years — maybe even 10 — it's shown us that APIs and their use cases are more powerful than anyone would have imagined," he said. APIs (application programming interfaces), he said, are akin to the tools that go into firms' "laboratories" that allow companies to start to test, tinker, and learn about new ways to bring payments and commerce, in connected form, to broad new swaths of the population.

It's no easy task to design APIs that are simple to use (Packer said Stripe, among others, has done it right), but building the complexity out of the process is critical, especially as emerging economies embrace digital-first financial services.

In many of those countries, he said — especially in Latin America, where QED focuses efforts with investments in firms like Nuvocargo, but also has been active with players in the traditional banking space — companies have to choose whether they're willing to accept the current infrastructure, whether they're going to



wait for new infrastructure or they're going to build it themselves.

## Build It

"If you're a company like Nuvocargo, looking to create more services and value-add in your platform for helping improve cross-border commerce between the U.S. and Mexico, there are a lot of things, in terms of infrastructure, that are just not there," he said. In the build versus buy debate, then, the decision comes down to: build. Doing so, he said, shapes competitive advantages, because the infrastructure, the products, the services, can all be tailored to a key, core audience.

"If you're an infrastructure creator right now in Latin America, you should be in high demand," he said. "And if you can create some really beautiful simple APIs — taking friction out of what's most likely a very complicated process — you've got a product that's going to have some legs."

That doesn't mean that the FinTechs will kill the banks. Legacy banks will continue to exist, in Latin America and elsewhere, said Packer. "They're going to evolve and maybe they *all* won't exist or, or maybe the sizing will be a little different. But there's going to be a place for them even as FinTechs continue to take market share." Value can be created through partnerships, he said, now and in the future.

Looking ahead at the overall investment landscape, he told PYMNTS that — in a world dominated by headlines tied to IPOs and SPACs — the amount of capital and activity that is waiting in the wings is as big as it's been in a long, long while. Some target firms have found their markets, with a strong sight line to growth and to profitability.

"They feel like they can tap the public markets maybe a little bit earlier than they had otherwise planned," said Packer. Other firms are more firmly entrenched in the planning and testing phases of their evolutions and may not want to take some of that trial and error to the public markets.

Of QED's efforts, he said, "What we've been trying to advise is 'don't sacrifice your long-term vision just for a short-term opportunity.'"

# DAVID GOLDHILL

Founder and CEO

sesame

# DIRECT PAYMENTS **INJECT INNOVATION** INTO HEALTHCARE

Healthcare in the United States is an undeniably expensive proposition – as of 2019 (the last full year data is available for) Americans spent $3.8 trillion, or a little under 20 percent of the nation's GDP, on healthcare alone. It's a high price to pay, particularly considering that very few people actually like what they're getting for the money. According to one survey conducted in the middle of the pandemic last year, only 36 percent of consumers were satisfied with their healthcare plan.

And it's not an issue that's limited to a certain type of healthcare plan. When one digs in and asks consumers about their experience with the industry, direct-to-health platform Sesame Founder and CEO David Goldhill told Karen Webster in a conversation for the latest edition of PYMNTS Connected Economy Series, no one is relieved that they get access to healthcare via the insurance their employer provides. Employer-based health insurance exists because of a quirk of U.S. tax law not because anyone thinks employers are particularly well qualified to be making healthcare decisions for their workers. Moreover, he said, the insurance experience is far from a winner.

“I know very few people who love their insurer or benefits administrator in terms of the role they play in their lives. The way we’ve architected their role is mostly to say, ‘no,’ not to say, ‘here’s how we can help you.’ I don’t think there’s a lot of satisfaction with that sense of a front door to healthcare at all in this country,” Goldhill told Webster.

The pain, from a patient’s point of view, he said, issues from the fact that buying healthcare is both expensive and confusing in our third-party reliant system. Unlike nearly every other part of the economy, he said, suppliers and sellers are dealing with insurance companies not patients, ultimately making it much more complicated for a person who needs care to acquire that care. There’s an enormous amount of dysfunction around that one major pain point, he said.

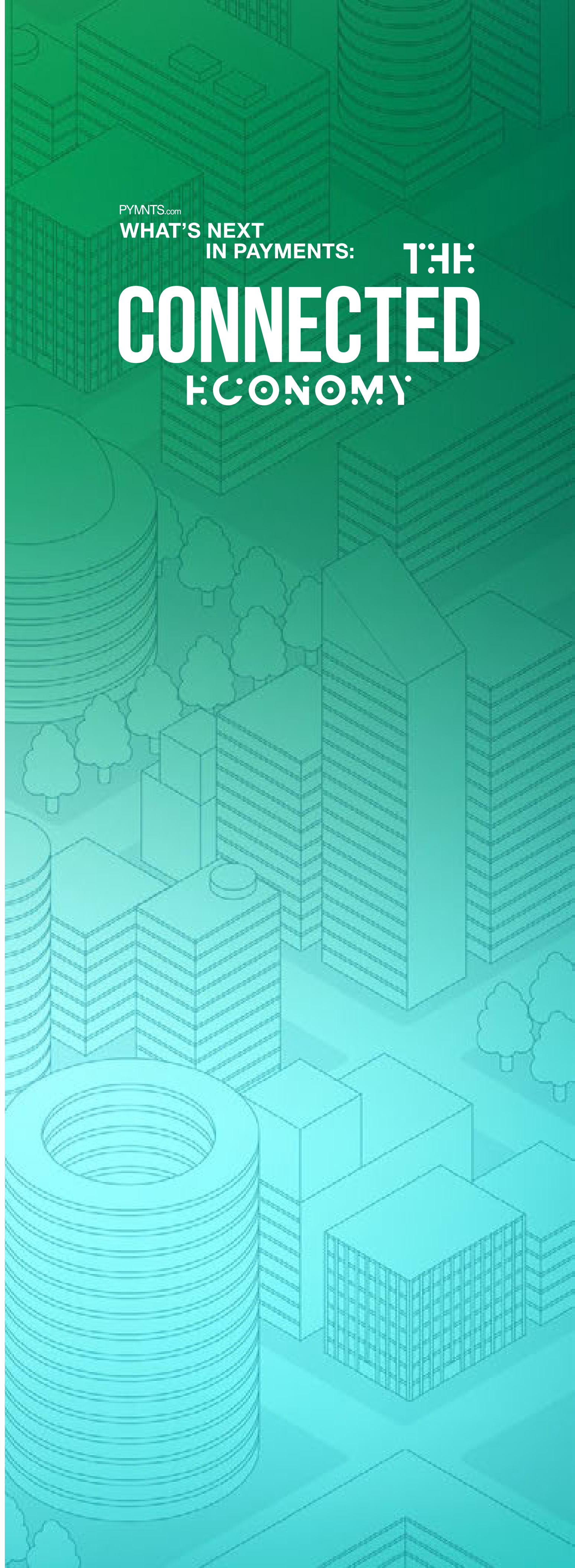
It also makes providers’ lives more complicated by making it that much harder for them to deal directly with the patient they are attempting to treat. The system we have today – where care is offered to a patient is decided by what an insurance company will pay for – kills creativity in care. There are so many barriers in the system that issue from third-party payment and the requirements of insurance that providers have relatively few ways for them to be innovative.

“I’m a big believer that one size fits all solutions in healthcare for 330 million people is one of the problems with the system. And the reality is that the line between wellness and care is often defined by what’s covered by insurance and what isn’t. It’s not about your healthcare experience or even a therapeutic journey or path it’s about here’s what’s paid for by someone else,” Goldhill said.

It is system obviously in need of fundamental change, he said. The good news, however, is that change is coming, pushed by the pandemic that gave healthcare the massive shove it needed to become a player in the burgeoning connected economy and by players like Sesame dedicated to redesigning the front door to healthcare to be something that is both digitally accessible and under the patients control.

### The Aspirin vs The Vitamin

When taking on fixing healthcare, Webster said, there are two possible paths discussed. One is the aspirin approach – which relieves a specific pain point in the system. The other is the vitamin approach which seeks to strengthen the system as a whole for better function. Sesame offers a direct pay option for customers for medical



care in lieu of using insurance at all, Goldhill said. It started as an aspirin but, like most healthcare innovations, has evolved into being a bit more of a vitamin in some cases.

"But what we've seen in the past year is that by making things more convenient for customers, by enabling healthcare doctors and nurse practitioners and clinics to do innovative and creative things, we're also doing a bit of the vitamin," he said. "We're creating a better experience, a more customized experience, something closer to the patient's specific needs.  We see people access our service just because it's more convenient or it's easier, less complicated, or it's even cheaper paying out of pocket than it is with insurance as the co-payor."

And though he believes his company is wonderful and unique in many way, Goldhill said they are also far from alone in bringing innovative takes on expanding care and access for patients combined with an improved experience.  The good bad news, he said, is the bar for creating a better healthcare experience in the U.S. is "extremely low."  An unfortunate reality, he said, but one that has set a host of innovators against it searching for pathways to improvement.

"And I think that  will show a pathway for even broader improvements that are possible," Goldhill said.

## Creating The Connections

There are challenges in building a new digital front door to medicine – given the incredible sensitivity of the personal data involved. Consumers, he said, are more concerned about this data being private and protected than any other kind. But that focus on privacy today, he said, is playing out such that consumers can't even get access to their own I – making data a pain point for patients when it should be a benefit to their care. A better happy medium, he said, is possible and needs to be more widely implemented.

Because ultimately a patient's care, he said, should be driven by two main players – the patient I and the provider they work with. The degree to which the connected future and enable that direct relationship and take the third-party decision maker out of the driver seat in the process, the healthier it can help healthcare to become.

"It's really not for me to say, what the ideal system we should develop is an ideal system that allows for much greater individualism, because that's the reality of, of a patient population of 330 million people," Goldhill said.

# BNPL EXTENDS **CREDIT LIFELINE** FOR CONSUMERS IN THE DIGITAL ECONOMY

**CHARLES YOUAKIM**

CEO

sezzle

The rivalries in the financial services business are legendary. Companies and their chief executives back in the day made no bones about their competitive obsessions and their desire to be on top of the heap. There was Citi vs Chase; Sandy Weill vs. Jamie Dimon. Or there was Goldman Sachs vs. Morgan Stanley; UBS vs. Credit Suisse. And although they're adjacent to the financial services business, it's hard to discount Microsoft vs. Apple and even the current one-up battle between Apple and Facebook.

Competition is a way of life in payments. In fact, there's a temptation to treat it a bit like a horse race — where every firm's advantage or leap forward is interpreted as a new obstacle for their competitors. The more competitive the space, the more the horse race framing tends to dominate.

But maybe that winner-take-all spirit isn't as important as it used to be. Take, for example, the buy now, pay later space. It is, of late, a very competitive space. It has dedicated new-breed companies like Klarna and Afterpay. It has innovators like PayPal looking to make a name in the space. Not to mention the old guard like American Express and Visa. But as BNPL firm Sezzle's CEO Charlie Youakim told PYMNTS Karen Webster in a recent conversation on the ConnectedEconomy™, the idea that there always has to be a definite winner standing astride a field of losers might not actually be the best framing for the situation.

"One tip, I always give business leaders, especially like newer entrepreneurs is that it's not a zero-sum game," Youakim said. "If you play it like a zero-sum game, you're going to create a lot of friction for yourself along the way. It's always a one-plus-one-equals-three activity. And it's, the more you can do that, the more you're creating, expanding the pie for everyone, even competitors."

## Ripe For Expansion

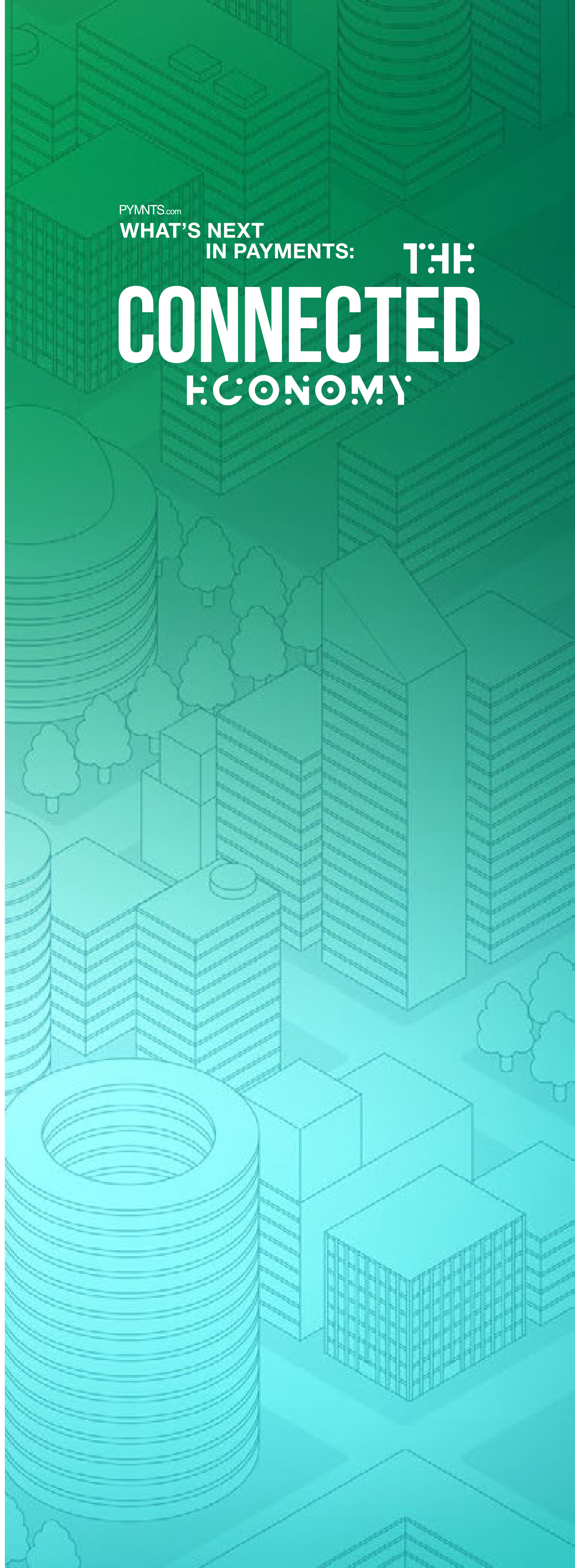
BNPL has been a rapidly expanding platform over the past year for connecting consumers who might be credit-card averse, or younger consumers uncomfortable with the general concept of debt. BNPL has also provided a connection point between merchants and consumers looking for an alternative to credit cards or who have credit scores too low to make them viable. As a recent report from PYMNTS showed, 32 percent of consumers who reported struggling to pay typical monthly expenses used BNPL solutions for their Black Friday transactions in November 2020. Other research has shown that 48 percent of consumers who prefer to use some form of credit at the point of sale (POS) — including BNPL — claimed they would not shop with merchants that did not support it.

The way Youakim sees it, consumers, don't need BNPL, but they prefer it. BNPL is, at its core, a more trusted and transparent offering to the customer and one they are increasingly seeking out and proving determinative in their shopping decisions. This means, conversely, that it is becoming something that merchants need to have.

"If you're a merchant and you're competing against someone else in your space and they have our product on their website, your competitor is going to have an advantage," he said. "And so I think that's what makes it a must-have for the merchants. And the advantage is driven by the fact that consumers do like this form of credit. And we all know when given the option of waiting six weeks, what happens is the customer might just forget about it or find a different product somewhere else, and that leads to a lost sale."

## Mobile's Front Door

Sezzle does serve a large segment of consumers who would find accessing other forms of credit something of a challenge. More than 50 percent of its consumers have FICO scores lower

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than 600 or no score at all. These consumers are highly mobile — 90 percent of Sezzle translation come in via mobile — and are better-enabled participants in the connected to the economy.

This means the question going forward for Sezzle is how does it build more of those connection points and make them count. That has included the introduction of new products like Sezzle Up which is designed to help consumers improve their credit scores. It is essentially the same product as its core installment loan, though this one is reported to the credit agencies. Sezzle is also, in partnership with Ally Bank, looking to launch a light, longer-term six installment product, to allow it to better serve merchants selling higher-priced goods from whom consumers could need a slightly longer lending period. For merchants, he said, they've developed a new tool called Sezzle Spend which will allow merchants to essentially discount their products, but in a way that is "hidden though Sezzle."

The goal at Sezzle hasn't changed, even as the company has expanded from its core BNPL offering into being a commerce ecosystem that gives customers a better way to find new merchants and manage their payments when it comes time to checkout. The goal remains as focused as it ever has been around giving consumers better tools with which to manage their financial lives.

"People always ask us, aren't you creating a chance that [customers] might graduate out of your product and go on to a credit card," Youakim said. "And my viewpoint is, I don't care. We're going to try to win them over so they stay with us because they can use the credit card within our system. But I think the right approach to businesses keeps on doing right by your stakeholders and good things will happen because they will trust you."

**STEPH SO**

Head of Digital Experience

# SHAKE SHACK USES DATA TO PROVIDE OMNICHANNEL CONVENIENCE, **CREATE PLAYFUL EXPERIENCES**

Gone are the days when people went to grocery stores to buy food to eat at home, they went to restaurants to eat a cooked meal brought to their table by a waiter, and there was not much in between. In today's connected economy, the eat category encompasses a far wider range of ways to eat three meals a day (or sometimes not eat them). Plus, the retail journey has become more expansive, with digital and physical channels working side by side and brands finding new ways to engage consumers wherever they may be, in person or online.

Shake Shack, for one, has been evolving to meet consumers' needs, rolling out curbside pickup and expanded digital ordering options, launching in-app delivery, and using machine learning and artificial intelligence (AI) to personalize the experience and stay in tune with customers' changing desires and expectations. Overall, the restaurant aims to meet consumers in the spaces they frequent, offering a compelling consumer journey that goes beyond the product itself.

"[We] hope that the experience of eating at a Shake Shack is so much more than the food, but it's rather that elevated experience, and [that it] makes you want to come back for the experiential element even more so than the food," Steph So, head of digital experience at Shake Shack, told Karen Webster in a recent interview as part of PYMNTS' ConnectedEconomy™ series. "...We want to be wherever our guest is. We want to be where folks are having fun."

### The Evolution of Omnichannel

So noted that in the "early days of omnichannel," businesses approached eCommerce as an online recreation of the in-store experience, looking to offer the same products and services online as consumers would get in person. Now, however, Shake Shack is looking to optimize its physical and digital channels by focusing on the unique experience that each can provide.

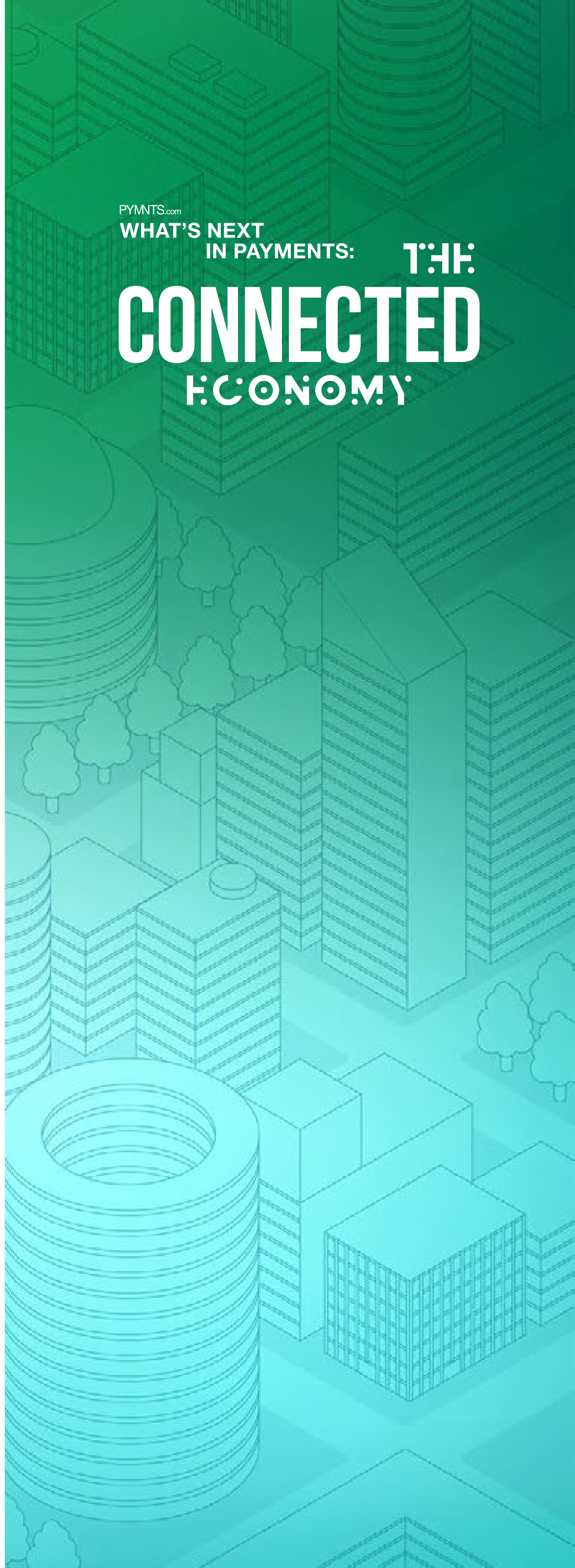
"We actually think each channel has a specific advantage for the guest, and might actually fall into specific use cases for the guests," noted So. "...There are things we can do in our physical space that are difficult to deliver in digital."

For Shake Shack, the advantages of physical retail include the person-to-person hospitality that the channel can provide, greeting customers with a "smiling and friendly face," while digital retail can take advantage of customer data to provide a personalized experience and to offer customers more information. So explained that customers have been looking for "more transparency around the fulfillment side of their experience," with features such as real-time order tracking.

Granted, the restaurant's physical spaces are still digitally enabled. So noted, "We will always build in digital elements into our physical space," adding that features such as self-service kiosks offer customers "the experience of being in charge" when they visit Shake Shack locations.

While Shake Shack doesn't look to provide the exact same experience online and in-person, the company does aim to create the same feeling across channels.

"The brands that are successful give the guests the same feeling, whether they're delivering it in a physical format versus digital," said So. "And the lines are almost blurred in terms of whether [the customer is] choosing to start the journey in digital or in physical – the guests still end up having a really great guest experience."



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## Engaging Consumers Through Contextual Commerce

One of the ways the brand is taking advantage of the unique potential of eCommerce is through contextual activations, offering experiences beyond the traditional digital ordering journey.

"We've actually started doing contextual advertising within Waze, and we love the idea of voice-enabling that," said So. "We're working on drive-thru, so voice will ultimately be a big part of drive-thru."

The company has also been offering content experiences for entertainment-seeking consumers, partnering with influencers and chefs whom, So said, "amplify both the fun aspect and the lifestyle aspect of our brand, but also the culinary aspect."

To identify the best ways to engage with guests, Shake Shack uses consumer data from its digital channels to "segmen[t] the guests and the communication channel that the guest prefers and delive[r] a message that's really relevant to them at the time that's most relevant to them."

## The 'Eat' Ecosystem

As the restaurant and grocery categories blur into a larger "eat" ecosystem, the traditional idea of the restaurant remains key to Shake Shack's philosophy. In fact, So explained, when thinking about competitors, Shake Shack compares itself more to fast-casual chains and even fine dining restaurants than other quick-service businesses.

"We've never ruled out the idea of doing retail and thinking through how some of our products could end up on a retail shelf. We're certainly not opposed to that idea," said So. "We did ShackBurger kits at the very beginning of the pandemic for folks to bring home and cook."

Shake Shack has borrowed from retail the "grocery mindset," focusing the brand's messaging on sourcing transparency and on the quality of the ingredients.

"We're kind of taking some of the language and the cues that the consumer is used to from the grocery experience and putting that into our dining experience, because they've voted with their wallets," noted So. "Those are things that really matter to them."

However, the focus remains primarily on the traditional restaurant experience. As So noted, "As economy has started to come back, and as the weather is improving and the pandemic is starting to die down a bit, we see a real desire by folks to gather – so it'll be really interesting to see where the balance comes back on that."

This sort of communal experience remains the company's focus, and Shake Shack wants to remain clearly distinct from the grocery category.

"It's kind of a different environment," So explained. "It's more social, it's more spontaneous. And especially for Shake Shack, we want our spaces to continue to be these community gathering places."

# SOUL MACHINES **PUTS A DIGITAL FACE** ON THE CONNECTED ECONOMY

**GREG CROSS**

Co-founder and CEO

When you hear that the company Soul Machines makes digital people, your first thought might be that it is some kind of slogan, and that the company in some way makes human beings more digitally active. But that would be wrong. The company literally makes digital people, like highly advanced avatars, that can learn, coach, advise and even speak in different languages.

In a very real way, that means Soul Machines is putting a human face — or lots of human faces — on the connected economy.

The most visible deployment of Soul Machines' tech has been through the World Health Organization (WHO), where a digital person named Florence has been busy helping people quit smoking and dispelling myths about COVID-19. The company's tech is also being used by Nestlé Toll House, where a cookie coach named Ruth helps bakers create better chocolate chip cookies, and by Maryville University, where digital coaches named Emma and Mya help students with such topics as financial aid and personal assessments — just to name a few examples.

### The Impersonal Made Personal, With Fake People

While talking to what amounts to a fake person might seem a bit impersonal, in a conversation with PYMNTS CEO Karen Webster, Soul Machines Co-Founder and Chief Business Officer Greg Cross said the opposite is true — especially when it comes to enabling certain kinds of communication.

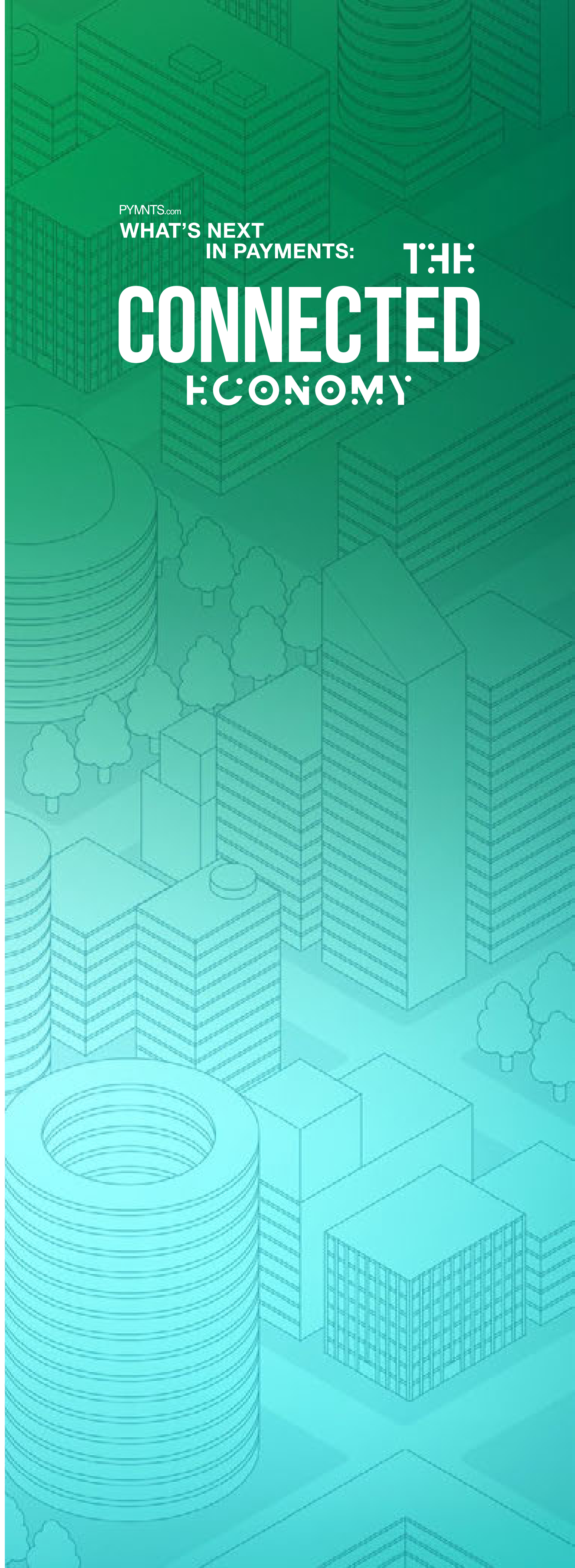
“People actually prefer to speak to digital people in cases where they fear judgment,” he said. “As humans, we don’t like speaking to real bankers. We don’t like talking to people about our money problems or how we manage or mismanage our money, and we fear rejection when we apply for a mortgage or a loan. One of the things that we’ve seen over and over again is that in any use case that might involve some form of judgment — like asking for a loan — customers prefer to speak to digital people.”

### Trust Me, I’m A Robot

In addition to enabling difficult conversations between consumers and brands or institutions, Cross said that one of Soul Machines’ primary goals is to help build trust between people and machines, which feeds into the idea of putting a human face on the connected economy. As an example, he points to YUMI, the digital person used by skincare company SK-II. Not only can YUMI field questions about skin that consumers might not be comfortable asking human associates, but it can also help guide them to the products that best suit their needs. It adds a missing component to the online shopping experience, taking it beyond the simple “add to cart” functionality and making transactions much more interactive.

Cross calls this extra element “democratizing personal experiences,” and says Soul Machines can deliver at a scale that’s simply not possible with human employees — even to the point of filling a gap in an overburdened healthcare industry and education system.

“You know, in healthcare and education, we don’t even train enough doctors and teachers anymore,” he said. “So this concept of digital people being able to democratize personal experiences means that people can interact and get personal attention and specialized knowledge in a way that has not been possible before.”



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## Digital Dawn

One day, Cross can imagine a world in which a digital person could guide consumers through a virtual version of their favorite boutique in a city across the world. Such a world may not be all that far off, he said.

"A lot of the enabling technologies are coming together at an incredibly rapid rate," he said. "We're seeing things like the progression of artificial intelligence from machine learning to deep learning. We're seeing conversational AI progress from natural language processing to natural language generation. We're seeing synthetic voices capable of injecting emotion and prosody into them. The work we're doing with autonomous animation, the deployment of 5G networks, and the miniaturization of augmented reality and virtual reality are all converging."

At the current rate of technological advancement, Cross expects to see more advanced interactive digital people coming online within three to five years, perhaps even as life coaches or companions. Of course, should digital people start playing such roles in our lives, Cross is well aware of the ethical and regulatory issues that may arise. In fact, Soul Machines is very concerned with advocating for the ethical deployment of AI to ensure that the tech is rolled out with the least amount of friction and the greatest adherence to privacy and other ethical concerns.

That's why he said Soul Machines finds it necessary to be transparent about the fact that the interactions enabled by this technology are with digital, not real, people.

"We think it's really important that as a society we spend as much time thinking and talking about things like AI and data privacy, the ethical use of artificial intelligence and the regulatory environment for artificial intelligence as we do about putting it to use and making it work for us," Cross concluded. "There are so many lessons we can take from the social media era that highlight the need to be even more cautious and thoughtful in the AI era."

**DANI ZOLDAN**

Owner

STAND UP NY

# STAND UP NY CREATES **CONNECTIVE EXPERIENCES** FOR CONSUMERS ISOLATED BY PANDEMIC

Comedy, one of the most connective forms of entertainment, relies on the relationships built between performer and audience, between club and performer, between club and audience, and among audience members. Unfortunately for comedy professionals, the traditional comedy club experience—low ceilings, cramped tables packed into a small space, lots of drinking and laughing with mouths wide open—is far from a pandemic-safe environment. So, in the past thirteen months, comedy has had to adapt. Some comedians took to parking lots, substituting laughs for honking horns and flashing headlights. Others took to rooftops and yards, while some have been sticking to streaming this whole time. After all, in today's connected economy, there are more ways than ever to forge connections and create experiences.

One New York City comedy club has been especially creative: the Upper West Side's Stand Up NY, which has held shows in parks, in subways, in churches—wherever possible, amid New York's changing COVID restrictions and audiences' changing comfort levels.

"We had about 50 people show up [to our first outdoor show], and it was awesome," Stand Up NY owner Dani Zoldan told PYMNTS in a recent interview as part of our ConnectedEconomy series. "Comics were just really appreciative to be outside and performing again, and obviously New Yorkers love being out, and we just wanted a scale that as, as fast as possible...My goal was 50 shows a week, and we did that. We produced over 500 outdoor comedy shows during the summer and fall."

Once the weather started getting colder, the club pivoted to the few indoor spaces in New York without capacity restriction—namely, churches and subways. Zoldan reflected, "It was a very random, fun New York experience."

## Connecting the Consumer to the Business

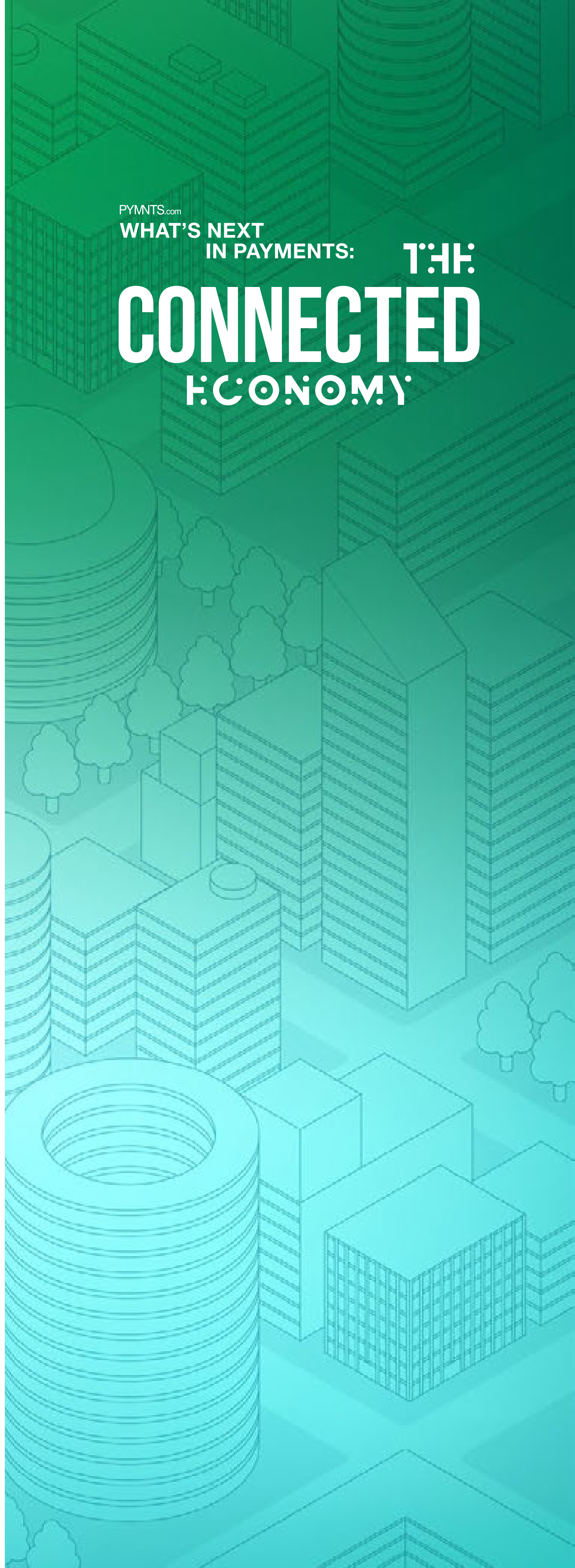
For the church show, Stand Up NY tapped into the language and symbolism of one of the most connective parts of many consumers' daily lives—religion. In addition to staging the show in a house of worship, the show was called "Temple of Laughter," and a pastor spoke to the audience before the comics took the stage.

"It was beautiful," recalled Zoldan. "When a few comics dropped some F bombs, you know, I looked at the pastor, and I was a little scared, but he loved it."

To deepen the relationship between the audience and the event, Zoldan created an extended lore for the occasion. He explained, "We wanted to write a Bible...When [people] go to a comedy show, they go to laugh, but I don't think they really people really think about just the mental health benefits of being at a comedy show, so that's what temple of laughter wanted to preach."

While these activations were able to generate attention and create valuable experiences for Stand Up NY's audience, the restrictions remained a challenge. After New York Governor Andrew Cuomo allowed bars and restaurants to reopen, Zoldan grew frustrated with the continued restrictions on the club. Stand Up NY filed a lawsuit, and the state lifted restrictions. Now, the club has been open for weekend shows since April 2nd.

The company also became engaged with its audience's turn towards community-mindedness with its 11th Plague initiative during this past Passover and Easter, connecting consumers to resources to give to organizations to fight hunger and advertising the initiative with funny clips from the club's comics. Zoldan explained that the club "wanted to put some money into something that that would spread goodness" and that he plans "to continue running those types of campaigns."





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### Connecting the Business to Technology

Communication is important for businesses at the best of times. These past thirteen months, however, amid rapid change and uncertainty, it has been more important than ever. To keep consumers' up to date with the club's shows and events, Zoldan took note of which messages consumers were actually receptive to. The club signed up for messaging platform Community to make its communications more effective, noting the platform's higher open rate than emails.

"I believe how we reach out to [consumers] is really important," added Zoldan. "...We want to try to connect with everyone on an emotional level. We don't want to send out, like, a mass email to our 40,000 person list... that doesn't connect to anyone."

To build this connection, the club looks to personalize its messages and to be "super responsive" to social media outreach. Infusing the site's online presence with this personal feeling is especially important given how emotion-centric the business is.

"It goes a long way, especially in a business like this, where people come, and they socialize and they laugh," said Zoldan. "...It's all about relationships. You build a relationship with the customer and it's not only about them paying you...They forget about their problems when they're here."

### Connecting the Business to the Future

Right now, though Stand Up NY's space has reopened, demand remains well below pre-COVID levels. Though 55 percent of the state's population is fully vaccinated, many residents remain wary of returning to crowded, indoor environments.

"Now we're only open three days a week—Thursday, Friday, Saturday, because the demand is not there yet," said Zoldan. "Tourists aren't in town, obviously. A lot of new Yorkers don't feel comfortable yet going indoors to a comedy show. So it's a little challenging...but over time I believe the situation will fix itself."

However, an upside of this difficult year for comedy clubs is that they have actually begun to connect with each other in a way that would not have happened without the pandemic.

"Before COVID, everyone was sort of doing their own thing and and focusing on their business," recalled Zoldan. "...I find lately, especially during COVID the younger owners are working more together. We're texting each other, [and] we're helping each other out."

In a space more connected than ever, and with consumers seeking out connections with each other, Zoldan predicts that the future will be bright for comedy clubs.

"I believe live entertainment will always be necessary," he said. "And I think it's really important for people to gather together as a group and whether it's at a restaurant or a bar or wine, or watching a comedy show or music, I think that'll be even more popular than before the pandemic."

**BRIAN BOGOSIAN**

CEO

sticky.io

# CREATIVE USE OF DATA IS SUBSCRIPTION SERVICES **ONLY 'MOAT'**

The conventional wisdom that every business needs a good "moat," or a competitive barrier that sets them apart from the pack and keeps predators at bay, is fine, as long as that chasm you're counting on is not based on technology alone.

In our latest ConnectedEconomy™ series conversation, sticky.io CEO Brian Bogosian told PYMNTS' Karen Webster that as much as tech is a powerful enabler that facilitates creative commerce, tech in and of itself, will not keep protect you from hungry competitors.

"Technology is not the moat. It's the product that's the moat," Bogosian said, pointing to the rapid development of competitive ideas that emerge in the shadows of every successful launch or idea.

"If somebody is getting traction out there in the market with a certain product or service, you can be sure there are going to be others looking to emulate that and improve upon it," he said, "so I think moats are kind of an ancient term to use and I think they're harder and harder to sustain in this environment."

## Selling Subscriptions

But even if the idea of moats is becoming outdated, firms certainly can — and do — leverage technology to build a competitive advantage and persuade consumers to take the plunge and sign on to a subscription.

Of course, the underlying product still has to be good and speak to a consumer's needs, but sticky.io has seen "tremendous creativity" from merchants in how to leverage subscription technology to build an ongoing and continually strengthening relationship with customers.

Creativity, he noted, is enabled entirely by the data that smart merchants can harvest from their subscription services and leverage to expand and perfect their offerings to consumers.

"Data is everything. Understanding your customers, understanding what their buying habits are, is absolutely critical," he said. "So the transaction happens and you have the payment history. But you have more than that — you have everything about what types of things they're buying and the things that they click deeper into to understand better. That provides you with tremendous insights into the habits and desires of those consumers."

That insight into customer habits and wants is being used by the most sophisticated subscription players, he said, plugged back right back into the subscription offering to make it stickier and more useful for the consumer. That heads off churn, the bane of every subscription merchant's existence. But perhaps more critically, he said, it allows the merchant to continually build and rebuild their offering for the subscription customer, making sure it stays and becomes increasingly relevant to their wants and needs going forward.

## The Competition Factor

Merchants, he noted, are going to need to continue to evolve their offerings over time, and anyone who builds a successful offering will invariably find a competitor who will come along to try to provide what they believe is a better variation. That is ultimately good news for consumers, he said, as they will be the beneficiaries of a continual stream of value being driven their way in the form of subscription services that are more varied, more affordable and more convenient over time.

But it also means the pressure is on merchants to build flexible subscription offerings that are designed to evolve alongside their customers' needs in inventive and unexpected ways. The smarter merchants playing in the space, Bogosian said, are always looking for better ways to package and bundle longer-term commitments with their consumers.

But ultimately, he said, it all comes down to the data — and how merchants leverage it to truly understand their customers and build the offering that will keep them engaged with their product or service over the long term.

"I think data that can enable understanding your consumers is probably the most essential part of this entire chain of events," Bogosian said. "Understanding what people want, what their preferences are, the frequency with which they could use something — it means everything. And I think platforms that provide sophisticated analytics, analytics that are highly flexible and tailored to provide you with the insights into your business and insights into your customers, is a tremendous value."

**JULIE BORNSTEIN**

CEO

THE YES

# DATA MAGNETS HELP CONSUMERS FIND THAT **'NEEDLE IN A HAYSTACK'**

In theory, the infinite aisles created by online shopping should be a win for customers, as they are no longer limited by the inventory a retailer can put on their literal shelves.

Unconstrained by considerations like physical space, the shelves in a digital shop offer an endless choice of goods for consumers to purchase. But unlimited choice all on its own isn't all it's cracked up to be, and it's more likely to overwhelm the consumer than delight them.

Simply adding more choices isn't a solution to digital shopping problems any more than adding more hay would make it easier to find a needle in a haystack. The solution to a needle in a haystack is a magnet, something that makes it easier to draw the wanted object out of the things that are obscuring it. And eCommerce needs that same sort of solution when it comes to helping consumers navigate boundless digital shelves.

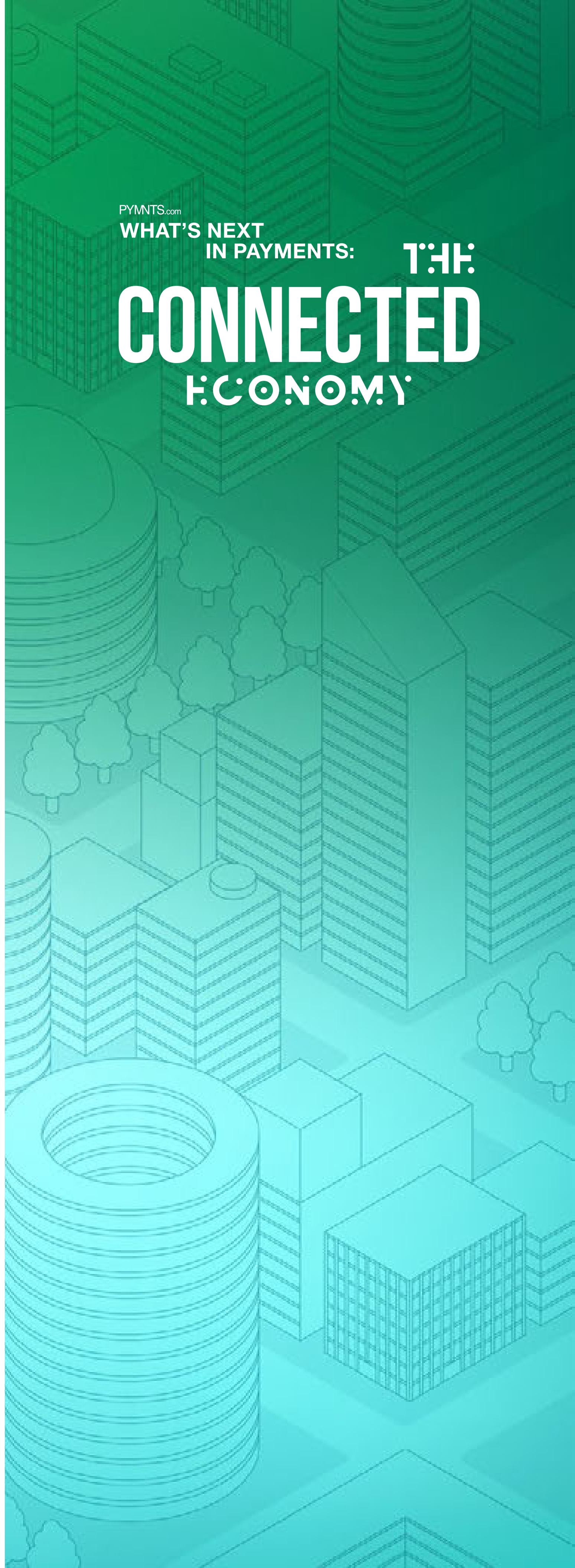
Attempting to step into that role of magnet in the eCommerce haystack is The Yes, an eCommerce marketplace designed to connect with all types of fashion brands to provide what CEO Julie Bornstein described as a one-stop shopping destination for consumers. With around 250 brands on the platform and the second-largest assortment of online fashion goods today, The Yes offers cutting-edge technology that enables consumers to navigate that supersized assortment in a way that aligns with their actual needs.

"The idea is that we make the entire world of brands available to the customer, but we also have an algorithm that allows each user's specific experience to work for them," Bornstein told PYMNTS. "And so, it's an eCommerce infrastructure with an [artificial intelligence (AI)] layer on top that allows us to understand each user, both by asking upfront questions when they first log on and then continuing to learn from each user as she shops by 'yesing' and 'noing' products that she does and doesn't like. And we have this one-to-one neural network that's been built with each user, so the site experience adapts to each user over time."

The net result is that the more the user shops and offers feedback, they better the system gets at pursuing those infinite aisles for them, and only showing the things they will actually want to buy.

While The Yes is new to the market, its CEO is not. Before The Yes, Bornstein got eCommerce up and running for Urban Outfitters, Nordstrom and Sephora, and she came to the game ready to upgrade the online shopping experience by streamlining the process of slogging through an infinite aisle to find desired items.

Perhaps just as important, the system makes it easy for users to give "yes" or "no" feedback on the items they see, further training the system to curate the selection of goods displayed to the consumer, and over time showing them more of the things they want. It's that extra feedback from the consumer that really sets The Yes apart when it comes to customizing and curating product assortments, Bornstein noted, because there is a lot more to understanding consumers'



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WHAT'S NEXT IN PAYMENTS: THE CONNECTED ECONOMY

wants and needs than simply seeing what they buy.

That has become especially true in the last year, where the company has seen a real divide between the kinds of goods consumers are buying outright and the kinds of things they are "yessing."

"I would say what a lot of people have been buying and what they've been yessing are two different things," Bornstein noted. "During COVID, in a world where people have been at home all of the time, most of the things we've sold have been very logical — mostly comfortable clothing and casual clothing. But people have been yessing all sorts of things. And in the month of March, we've seen kind of a shift in what people are buying. This has been sort of a sign of the end of the pandemic, as people buy things that are more occasion-based. Things that people have not been buying but have been yessing — like dresses and heels — are starting to sell again."

Consumers are price-sensitive, she noted. For all the attention given to building great experiences and beautiful product displays, the consumer is looking for good value.

"I think the vast majority of customers are looking for value to feel comfortable making a purchase decision," Bornstein said.

That can show up in many ways. For example, The Yes is able to offer a best-price guarantee because it works directly with brands.

Shopping is different than it was a year ago as stores and consumers are reorganizing their priorities around seeking and securing value in their shopping journeys, she said. The goal for The Yes is to build something that can develop a lot of scale and bring many benefits to the brands that are part of the network.

Bornstein noted that brands have been very excited about what The Yes is building and about what will happen next. They are excited to experiment with new ideas and modalities for reaching their customers.

"I do believe that the industry is going to bounce back," she predicted. "I think there's going to be pent-up demand among consumers who want to spend on fashion and are excited to get dressed up to go out again."

## SAMPATH SOWMYANARAYAN

CRO

# VERIZON MAKES ITS BUSINESS CASE **FOR 5G**

"We are the connected in the connected economy."

That's how Verizon Chief Revenue Officer Sampath Sowmyanarayan put his company's role in an interview with PYMNTS as part of the ongoing ConnectedEconomy™ series examining the way in which borders between verticals are being crossed on a regular basis by connective technologies.

While such a statement might sound like a simple boast from a man who is an evangelist for his company's mission, thanks to Verizon's steady build-out of its 5G network, it's anything but.

Hardly a week goes by in which Verizon isn't in the news for its 5G rollout. Last month, the company announced, it will launch its 5G Ultra Wideband service in New Orleans, Louisiana; Fresno and Riverside, California; and San Antonio, Texas. This will bring the total number of cities in which the super-fast, low-latency network is deployed to 71.

In the same announcement, Verizon said it is opening both the Memphis and San Antonio markets to its 5G Home Internet, which functions as a viable replacement for more traditional internet access pipelines, such as cable or satellite. That ups the number of cities in which the service is deployed to 33. That's impressive progress in the two years since the company first rolled out 5G in Chicago, considering that the infrastructure for the network needs to be built before it can be deployed.

### Business Led

Not only is Verizon's 5G network connecting consumers to the internet, but it is also being embraced in other sectors of the economy as well. Sowmyanarayan said unlike traditional mobile-enabling tech, business use cases are driving the uptake of 5G even more than the consumer sector.

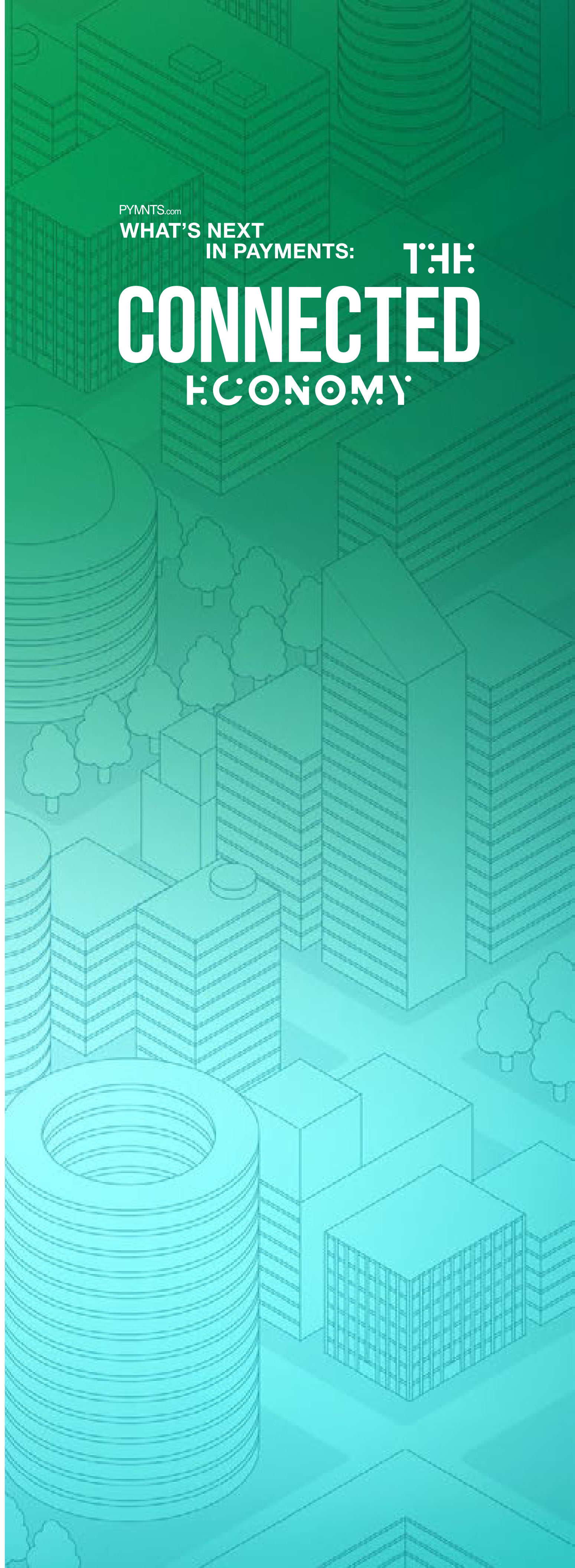
"One of the interesting things about 5G is that businesses know more than consumers," he said. "Typically, what happens, especially in mobile technologies, is that consumers get the technology first, and business drags along. This time, it's fundamentally different. 5G is built for business, and the consumer is going to get pulled along. So, typically, around, I would say, 20 to 30 percent of consumers know very well what 5G can do, but more than half of businesses have a very good sense of what 5G could do for them."

The reason 5G is enjoying such an uptake by businesses is four-fold, Sowmyanarayan said.

First, it has to do with the technology's low latency. Sowmyanarayan pointed out that 5G is really more than just faster 4G, and the fact that it has dramatically lower latency — or delay — than other tech makes it ideal for applications such as its use in hospital imaging or on factory floors.

Second, 5G's ability to handle large, media-rich datasets across different physical locations is key to any business working in the connected economy.

And finally, he pointed to 5G's lower power usage as well as its enhanced security features as central to its appeal in enterprise settings.



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## Retail Rebirth

While Sowmyanarayan points to projects in which 5G is being trialed in different healthcare settings, such as to help hospitals keep track of their own equipment, one of the more interesting use cases of the technology is in retail.

Sowmyanarayan said he believes that as the pandemic recedes and leaves behind new digital consumer shopping habits, brick-and-mortar stores will need to be more innovative in turning their outlets into experiences rather than simply places to buy items. He pointed to augmented or virtual reality as possible examples and said 5G's low latency works for such applications.

He also pointed to a partnership with Cooler Screens, a company that turns the front doors of coolers in a retail setting into interactive touchscreens. The project is currently being tested in Walgreens locations, and Sowmyanarayan said 5G is a great way to handle the large amount of data that flows through the screens. The tech, in particular, is perfect for such "edge compute" cases in which data processing is brought physically closer to the location in which that data needs to be used.

## Leading With Kindness

While technology is certainly at the center of Verizon's offerings, Sowmyanarayan said there is something less tangible, but no less important, at the center of Verizon's operating ethos: kindness. It's an important reminder that human beings are first and foremost at the center of the connected economy.

"Some of it has to do with my own personal style," he said. "Ten years ago, when I was recently out of business school, I would not say kindness was a management principle. There were other things; there was analytics, there was rigor, there was action. Kindness was definitely not in there. But there's so much uncertainty in the world today in business and relationships at home, that having that extra kindness — letting people finish their thoughts, for example — just makes for a much better workplace. And what I see is when you have a workplace that is there, it has a huge impact on the culture and how people get stuff done."

**JENNIFER FLEISS**

Venture Partner

VOLITION CAPITAL

# VOLITION CAPITAL LOOKS FOR **DIGITAL-FIRST RETAIL PROSPECTS**

The ConnectedEconomy™ has created new dynamics for every segment of payments and commerce from small- to medium-sized business (SMB) retail to big box mass merchants to venture capitalists.

And for retailers, it has become a competitive flashpoint. PYMNTS Global Shopping Index research, for example, shows that SMB retailers suffer from not being connected digitally.

They are less likely to offer digital payments options and therefore score lower than large firms in terms of customer satisfaction. However, connected, omnichannel SMBs — those that sell via online channels but make most of their sales in stores — perform as well as large stores in consumer satisfaction. Twenty-six percent of these SMBs are top performers, approximately the same share as large stores.

As retailers both large and small begin to entice consumers back to their bricks-and-mortar locations, Jennifer Fleiss, managing partner at Volition Capital and co-founder of Rent the Runway, said payments and digital-first technology can play a role in creating what she called an omnichannel 2.0 business model.

Fleiss told PYMNTS CEO Karen Webster that in addition to looking for a growth factor of 50 percent year over year, one of the key things she looks for when searching for a new company for Volition's investment is that the organization has a firm grasp on the connected economy via omnichannel operations, especially after the changes brought about by the pandemic.

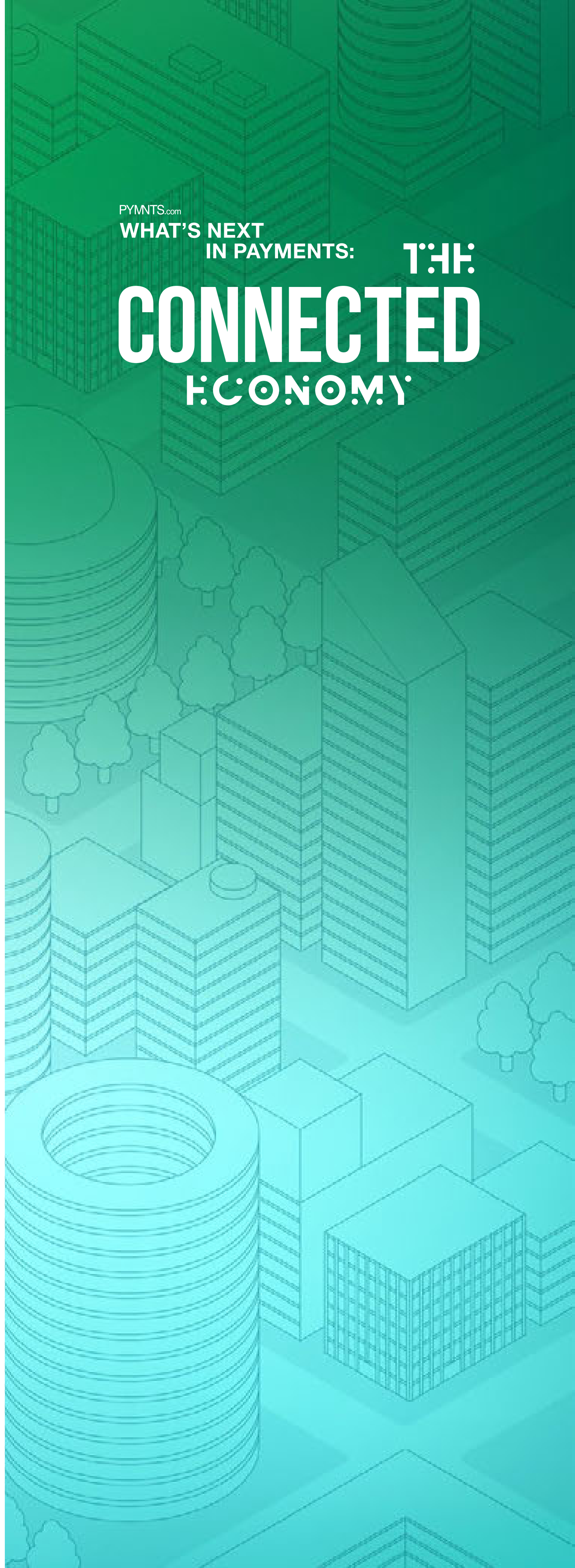
"Sometimes I think of it as omnichannel 2.0," she said. "COVID certainly showed us that having both a digital component and … a physical component can still be very helpful. But in addition to that, you have to have conversational commerce."

Such commerce includes newly emerging retail concepts like video shopping, in which someone with a similar build to a consumer can try on clothes via a web feed, or someone with similar skin tone can try on makeup, she said.

Payments can be a relationship-building part of a company's omnichannel growth strategy, Fleiss said. She pointed to the way in which Venmo has created a community around payments by adding a social component to the mix, or the way exercise bike company Peloton was able to unlock new consumer bases by bringing an installment structure to its payment cycle.

"I think you're also seeing the world of payments and financing enter more and more categories as more businesses start to vertically integrate," she said. "I've seen it in the healthcare space where companies are thinking about how they play into the financing element."

Embracing an omnichannel approach works even more effectively in the connected economy when flexible payments are embedded at its core. Fleiss said a digital-first approach can open the door to not only more success, but more entrepreneurial thinking. But retail has taken longer to embrace this way of thinking than tech-first businesses, such as digital health and exercise companies that were pushed to accelerate due to the pandemic effect. The sheer interconnected infrastructure of some retailers has made it hard for them to pivot. But the fact that consumers were also pushed to change their thinking during the pandemic has made the retail field ripe for this kind of tech-forward expansion.





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## Sustainability

Another component Fleiss said she keeps front-of-mind when searching for a new company to add to Volition's portfolio is its emphasis on sustainability.

"I think just everyone's eye and mind is on how they can contribute to making the world a more sustainable place," she said. "And whereas we've seen it through organic vegetables and fruits and sustainably minded cleaning products, et cetera, I think now we're also seeing businesses that are engaging the consumer to be responsible for the world around us."

This growing focus on sustainability has the potential to pull the market into two different directions, she said. One is based on efficiency for run-of-the-mill consumables like paper towels and laundry detergent, and the other based on community, personality and creativity. There is room for both types of businesses to exist, naturally, but Fleiss said ease of payments is critical to facilitate the latter. Providing checkout experiences that are fast, easy and flexible will enable consumers to visit multiple sites to make purchases based on loyalty and sustainability, rather than simply staying on one site because managing one cart or payment transaction is simply easier than shopping at different retailers, each with their own checkout process.

Finally, Fleiss said she believes that simply listening to the market and remaining flexible enough to let it lead is a critical component of any successful connected economy business. As an example, she brought up her time with Rent the Runway. While there, the company discovered that women were stopping in after work and using the company as something of an upscale locker room — changing out of their business clothes and into evening wear. As a result, the company began putting out more hair tools and offering other ways for their customers to freshen up for a night out.

"It's actually something I'm really passionate about," she said. "You know, I think the best businesses are built when you listen to consumers and you never stop listening. So, no matter how big you grow, you find — whether it's taking customer service calls or going into a physical store if you have one — ways to look and observe your consumer. Our world is moving so quickly that it's impossible to keep pace, unless you're always on the front lines, having a pulse on the consumer."

**PAUL HENNESSY**

CEO

# USING DATA TO ACCELERATE **AUTOMOTIVE'S CONNECTED FUTURE**

Americans have always had a love affair with the car, which was first coined in 1961 as part of a television series designed to intensify that passion. The last 12-plus months have seen that love affair grow stronger still, as consumers, en masse, left the cities, public transportation and ride-hailing services behind. Work for home and the desire to control their community environment drove car sales to record levels. JD Powers reports that April 2021 sales of new cars are expected to be up 26 percent over April 2019. They also report that a tight supply of used cars has driven wholesale prices up by as much as 26 percent, and retail sales to date up by roughly 7 percent.

It's also driving consumers online to make those used car purchases. That puts the connected consumer, not the car, at the center of the sale — and a starting point for a deeper customer engagement beyond the purchase and sale of a car. As online auto platform Vroom's CEO Paul Hennessy told Karen Webster in a recent conversation, this connected experience is far more valuable than "buying a car" and much more complex to execute than a dealer with a website that also sells cars.

"We're seeing an evolution [in the used car buying space], and it starts with a customer-centric philosophy built on top of an eCommerce platform," he explained. "It has to be customer-led, and then the infrastructure must be built on top of an experimentation and data platform. And if you don't do those two things, it's really hard to understand what's working well and what isn't."

Put another way, he said, it's about serving customers well and then keeping score around that.

Vroom's seen an 82 percent year-over-year growth in eCommerce units sold, which translated into an 89 percent increase in gross profits.

## Shifting Digital Gears

Hennessy said that Vroom's starting point was, logically, about buying and selling a used vehicle. The acquisition of CarStory gives it the ability to track market pricing for used cars, along with car histories and location information. It allows Vroom to offer consumers optimized pricing for cars they want to sell and those they wish to purchase, including financing and warranties.

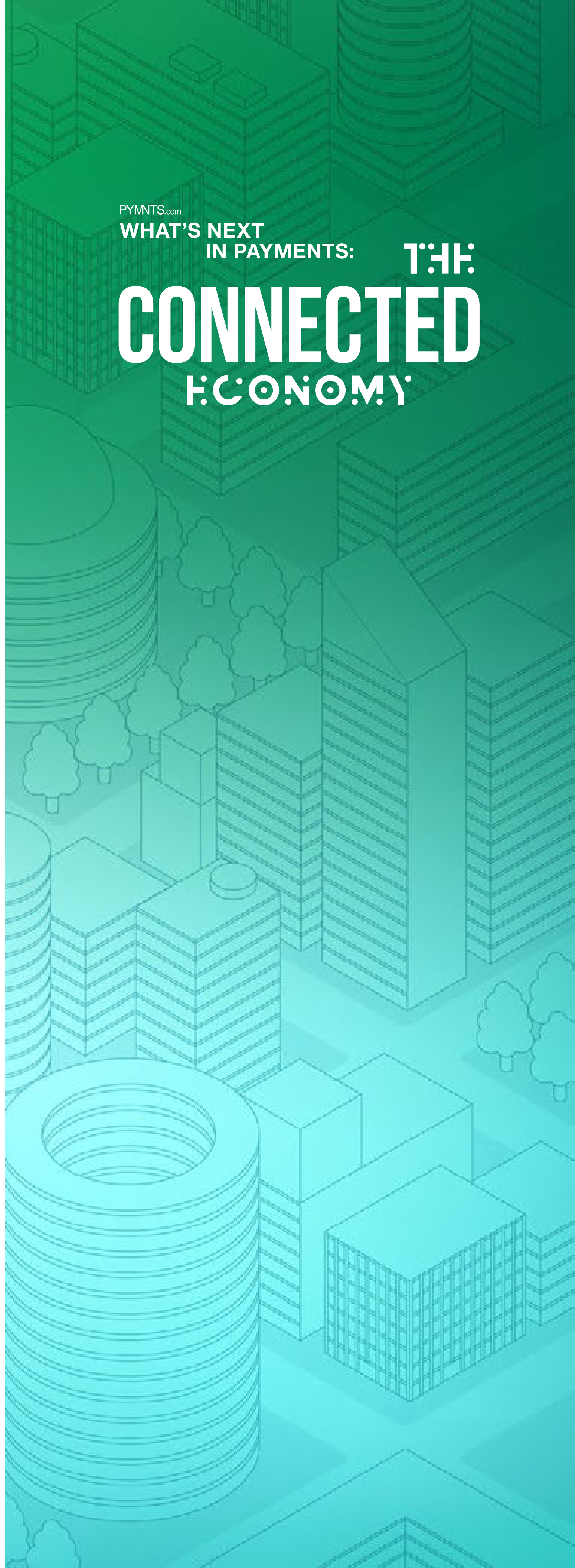
"Immediately, when you say you've got a car to sell, we need to know a lot about that car," he said. "By tracking all of the things that may have happened to that car — and then marrying that with data about the car's market demand, average pricing and location — we start to have a profile of the car's worth. That means we can give customers great deals."

Hennessy believes online platforms are better positioned to form long-term relationships than those at brick-and-mortar dealerships. As he pointed out, dealers interact with customers a couple of times and then may not see them again for four years, if at all.

Vroom has the digital relationship and the data to tap customers when it might be a good time to sell their car, to provide monthly vehicle valuations or to offer additional services, which the company is just beginning to think about — including logical, adjacent markets around insurance, auto parts and service and even music choices.

Hennessy said that consumers today are really making their cars their homes now more than ever as cars become synonymous with freedom again — and the idea of connecting to the customer and their car, and then being a valued partner, is more than simply good business.

"The idea of us connecting customers to their cars and then becoming a valued partner in sending them tire replacement reminders, or offering the right services and products for their location based on the season, becomes an interesting platform extension that builld rich customer relationships," he said.



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