



Nick's Corner



Everything You Need to Know About What Amazon is Doing in Financial Services

From payments to lending to insurance to checking accounts, Amazon is attacking financial services from every angle without applying to be a conventional bank.

Based on our findings, it's hard to claim that Amazon is building the next-generation bank. But it's clear that the company remains very focused on building financial services products that support its core strategic goal: increasing participation on the Amazon platform.

As a result, the company has built and launched tools that aim to:

- Increase the number of merchants on Amazon and enable each merchant to sell more.
- Increase the number of customers on Amazon and enable each customer to spend more.
- Continue to reduce any buying/selling friction.

In parallel, Amazon has made several fintech investments, mostly focused on international markets (India and Mexico, among others) where partners can help serve Amazon's core strategic goal. In aggregate, these product development and investment decisions reveal that Amazon isn't building a traditional bank that serves everyone. Instead, Amazon has taken the core components of a modern banking experience and tweaked them to suit Amazon customers (both merchants and consumers).

In a sense, Amazon is building a bank for itself — and that may be an even more compelling development than the company launching a deposit-holding bank.

PRODUCT STRATEGY. Amazon is notorious for spreading its bets before going all-in on a new product, and the financial services space is no exception. Through trial and error, the company has set up key financial pillars across payments, cash deposits, and lending.

AMAZON PAYMENTS. Amazon has aggressively invested in payments infrastructure and services over the last few years. Making payments more cash efficient for Amazon and frictionless for customers is a key priority.

Today, Amazon Pay has evolved to include a digital wallet for customers and a payments network for both online and brick-and-mortar merchants. In addition to serving Amazon's core customers, payments are an attractive revenue line. Swipe fees alone are a \$90B-a-year business for banks, card networks like Visa, and payment processors like Stripe.

- **Amazon Go:** Amazon's secret payments weapon? Developing product remains an area of strength for Amazon. The "Just Walk Out" technology uses computer vision, sensor fusion, and advanced machine learning to enable a frictionless payment experience and is based on technology that the company has patented in the past. "Just Walk Out" is available through the Amazon App. It grants access to the store and allows customers to grab-and-go without needing to physically check out to pay for products.
- **Amazon Cash:** This bridges the gap between online commerce, using debit or credit cards as payment, and offline commerce that relies on "cash on delivery" options like cash and gift cards and fits neatly into Amazon's strategy of appealing to underbanked and unbanked populations — customers do not need a bank account or a phone to open an account, only access to the internet and a printer.
- **Amazon Allowance:** A kid-friendly solution. In addition to targeting the unbanked and underbanked, Amazon is looking to leverage the Amazon Cash feature to tap into the next generation of consumers.
- **Amazon SMB Lending:** Amazon Lending initially launched in 2011 to help small businesses finance and sell more goods on Amazon.

AMAZON CONSUMER LENDING. Amazon Prime Store Card. It was Amazon's first card exclusively for Prime customers, offering unlimited 5% cash back on Amazon purchases.

- **Amazon Store Card:** Offers some of the benefits as the Prime Store Card but for non-Prime customers.

- **Amazon Prime Rewards Visa Signature Card:** Launched in 2017 with Visa, this card gives Prime members 5% cash back at Amazon & Whole Foods, 2% cash back at gas stations, restaurants, and drugstores, and 1% cash back on everything else.
- **Amazon Visa Credit Card:** Partner card with Visa for non-Prime customers that offers 3% cash back on Amazon purchases, 2% cash back at gas stations, restaurants, and drugstores, and 1% cash back on everything else.
- **Amazon Reload:** A reloadable digital debit card available only to Prime members that offers 2% cash back on Amazon purchases. The card links directly to consumers'.

AMAZONS NEXT FINANCIAL PILLAR? While Amazon is making moves across the payments, cash, and lending spaces, it could also look to further expand across the financial services ecosystem.

Checking Accounts. In March, news leaked that Amazon was in talks with banks including JPMorgan and Capital One to build a product similar to a checking account.

Insurance. Amazon has not formally launched an insurance business but has shown nascent interest across markets and insurance products.

MARKET STRATEGY OUTSIDE THE US. Amazon is aggressively entering emerging markets to expand, but also to pilot and take a deeper role in developing new financial services products. These markets are attractive because of rapid mobile internet adoption, a lack of legacy infrastructure, and a growing number of the population entering into the middle class. Two of the most notable markets where this is taking place today are India and Mexico.

RUMORS: WHAT WILL AMAZON DO NEXT? If there's anything we've learned from Amazon, it's never say never. After the news broke that Amazon was looking to offer a checking account-like product, mentions of Amazon and banking crossed over 600+ media mentions. In that spirit, here are some of the rumours in the wild that are noteworthy:

Rumour: Amazon reportedly had discussions about offering home insurance

Rumour: Amazon is getting into mortgages

Rumour: Amazon is getting into health insurance

Rumour: Ripple is helping Amazon with cross border payments

Rumour: Amazon and PayPal are meeting with bank regulators to expand their financial services

Rumour: Amazon is buying Capital One

CLOSING THOUGHTS

Amazon's strategy in financial services has been focused on supporting its core strategic goal: increasing participation (both from buyers and sellers) on its platform.

In practice, Amazon has relied much more heavily on internal product development than partnerships, M&A, or investments to broaden its financial services offerings. But, what's not surprising is to see Amazon methodically seed, invest, and nurture a product line with a long-time horizon.

Zooming out a bit further, one can see the beginnings of what the Bank of Amazon could look like — a variety of key financial services products that support Amazon participants first and enable them to buy, sell, and transact much easier than any other platform.

And that potential Bank of Amazon should worry the traditional incumbents. If history provides a useful lesson, it's that Amazon first builds core product pillars for itself, where it is the only and most important customer. Only after years of building a product and iterating on features for itself does Amazon launch and expose a key product pillar to other customers.

By then, it will likely be too late for incumbents who have not responded.

Summarised from article by Zack Kanter, founder & CEO of Stedi.

Client Services

We held our first Operations Committee meeting on Tuesday, 12th March 2019. Key take outs are as follows:

FinSwitch Evolution

Over the last 3 years FinSwitch has released over 150 enhancements to enable more effective user processes. The question we pose to you is, **are you evolving with us?**

Manual Trades

How can FinSwitch help you to eliminate any manual trades being sent or received? Please let us know who are sending you manual trades and we can follow up and help to automate them.

Client Services Stats

The top 2 Client Services queries over the past 6 months has been

- Login and;
- Fund Linking

Please note that the "Forgot Password" functionality can be used for any login issues and there are fund linking cheat sheets online.

Release 1 – 2019

Release 1 is scheduled to go live in early May, a summary of the release items has been communicated.

Best Wishes

Tasneem Gydien

Manager: Client Relations

Application Desk

On the staffing front, we congratulate Waseemah Dhansay on the birth of a baby boy in December 2018. Waseemah is currently on maternity leave and will be back in the office from May 2019.

I have been contracted to manage the Application Support Department following Ismail's departure at the end of last year. I will continue in this role until a new Application Manager has been recruited.

Recently the FinSwitch platform was migrated to a completely new environment in the "cloud" to improve stability and enable more flexibility with regards to performance management. The new environment is also faster than the old production environment and we have noted a general improvement in response times as a result.

The 1st new release for 2019 is well advanced and undergoing testing at present. The anticipated release date is May 2019.

New functionality that will become available in this release includes:

1. The uploading and downloading of Effective Annual Cost data
2. Download of the corresponding error file by Web Services when uploading files using the "Process Valid Items" option
3. Addition of "Submitted Date" (i.e. actual date of upload) as a Web Services parameter to download Confirmation files. This supplements the existing "Value Date" and "Cycle Date" file download parameters and will allow bulked investors to identify any corrections etc. which may have been uploaded by a Manco later than the accepted cut-off time for transaction confirmations
4. Faster Confirmation file uploads
5. Faster customised download of Confirmations
6. A new notification informing of corrections present in files uploaded as well as a general reduction in unnecessary notifications that are currently being sent

The next planned release for this year will introduce functionality for bulked investors to receive transaction requests and upload confirmations.

Following this there will be a further release which will focus on simplifying the user experience with regards to file upload, authorisation and general file management.

Best Wishes

Richard Freeman

Manager: Application & Development

B-BBEE Certificate

You can download our certificate by clicking [here](#).