

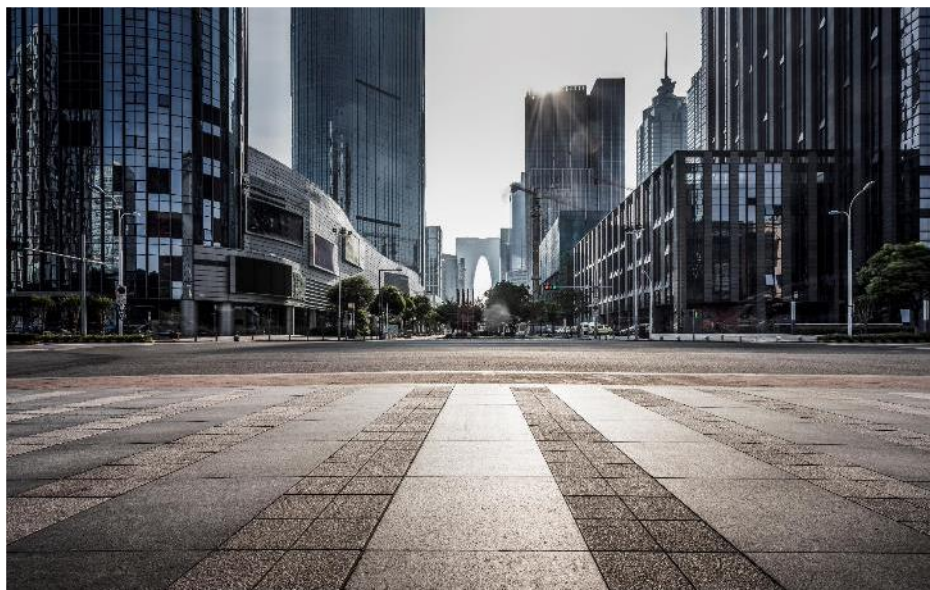


2020 Commerce and Fintech Year in Review

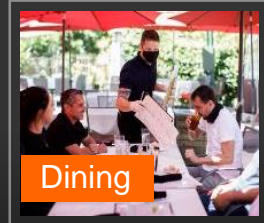
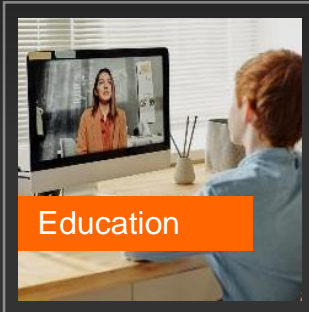
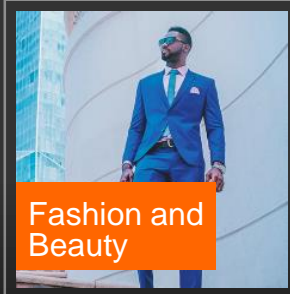
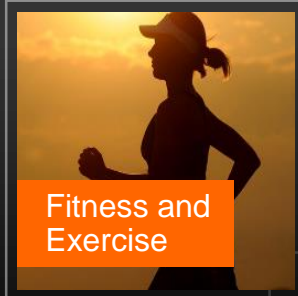
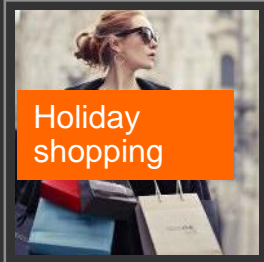
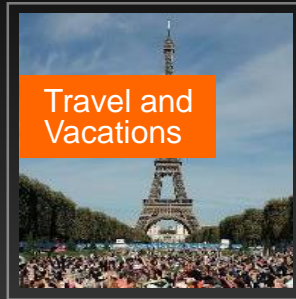
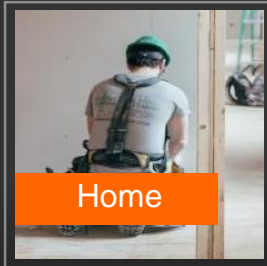
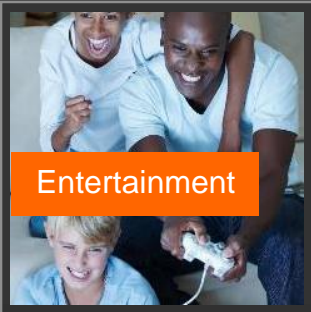
Glenn Fodor, CFA
Senior Vice President and
Head of Data and Analytics

November 17, 2020

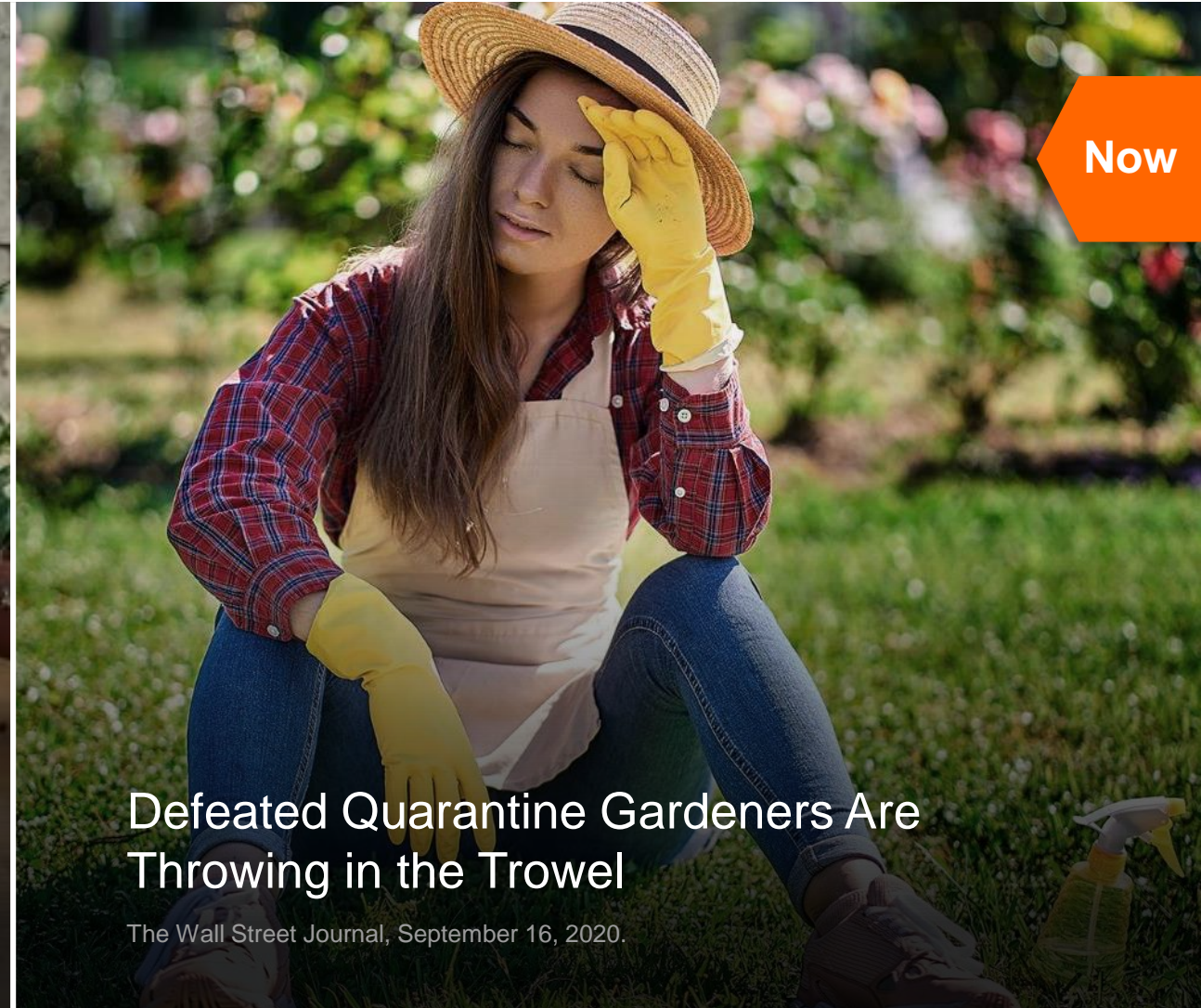
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Top Themes From 2020



Paradigm Shifts or Passing Fads – Gardening



Paradigm Shifts or Passing Fads – Cooking and Baking



Then

Forget the Sourdough, Everybody's Baking Banana Bread

The Wall Street Journal, April 30, 2020



Now

Americans Are Starting to Get Sick of Cooking at Home

New York Post, August 20, 2020.

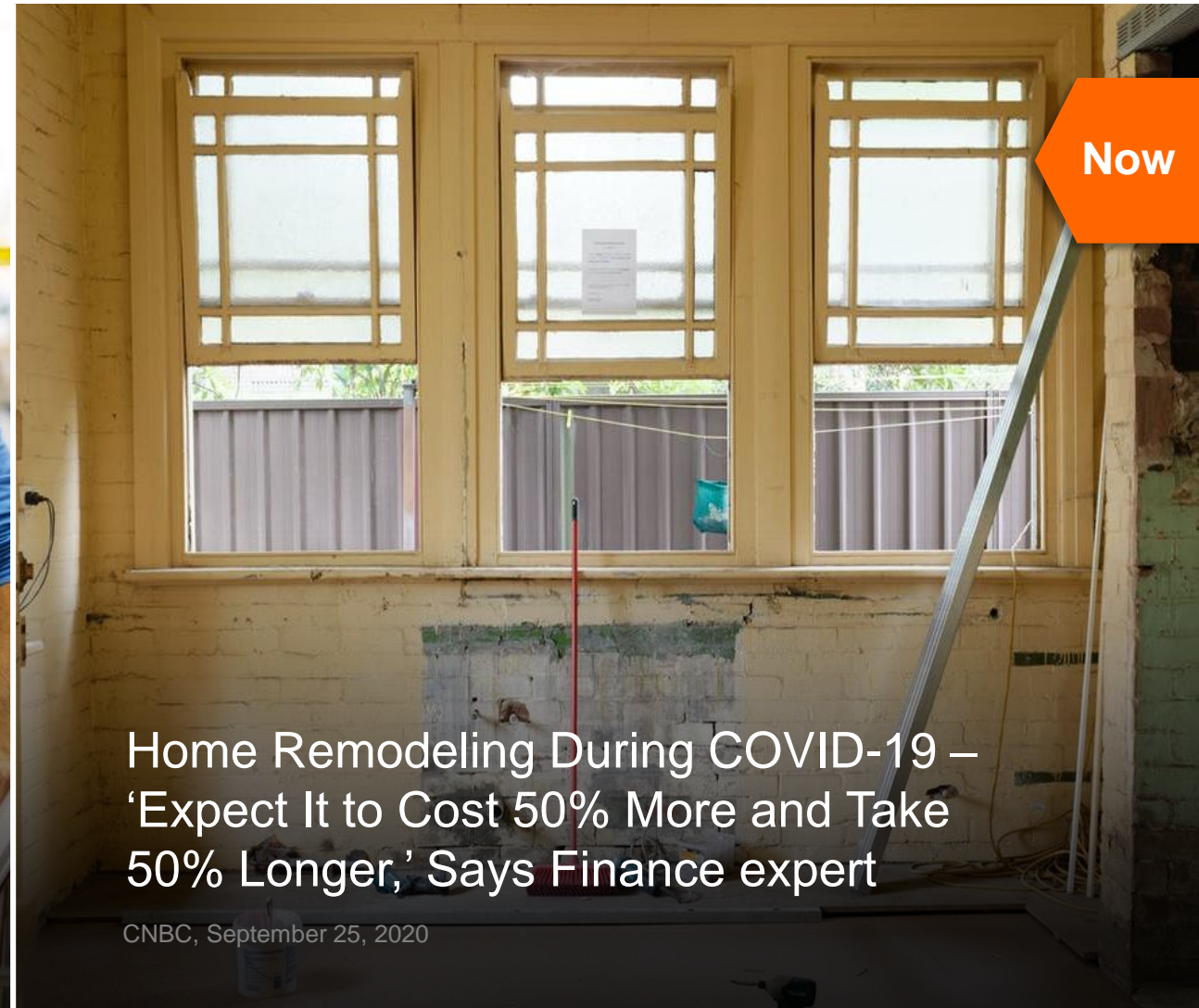
Paradigm Shifts or Passing Fads – DIY Home Remodeling



Then

Pandemic Leads to Uptick in Home Improvement Projects

Louisville Courier Journal, May 28, 2020



Now

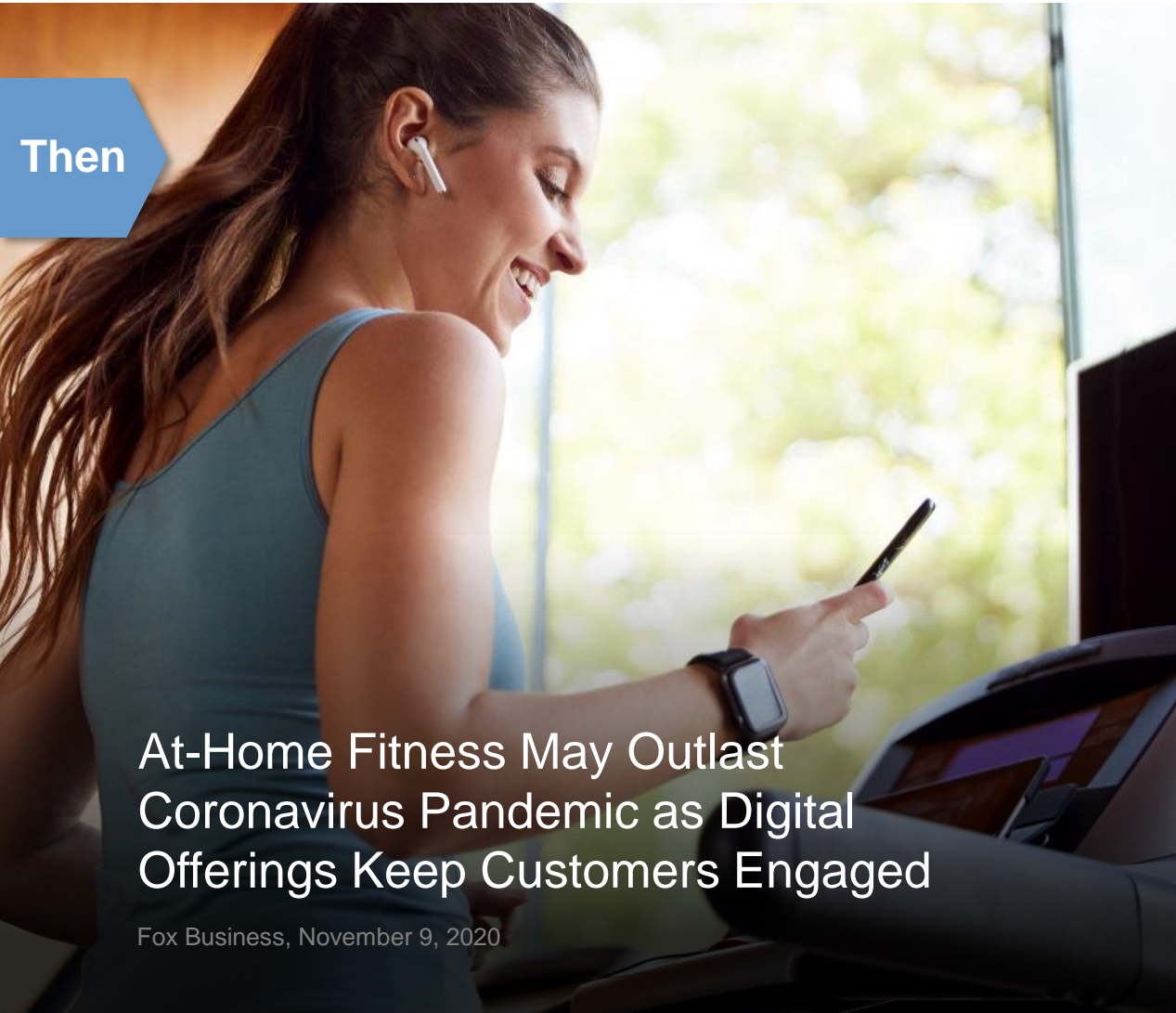
Home Remodeling During COVID-19 – ‘Expect It to Cost 50% More and Take 50% Longer,’ Says Finance expert

CNBC, September 25, 2020

Paradigm Shifts or Passing Fads – Zoom Happy Hours

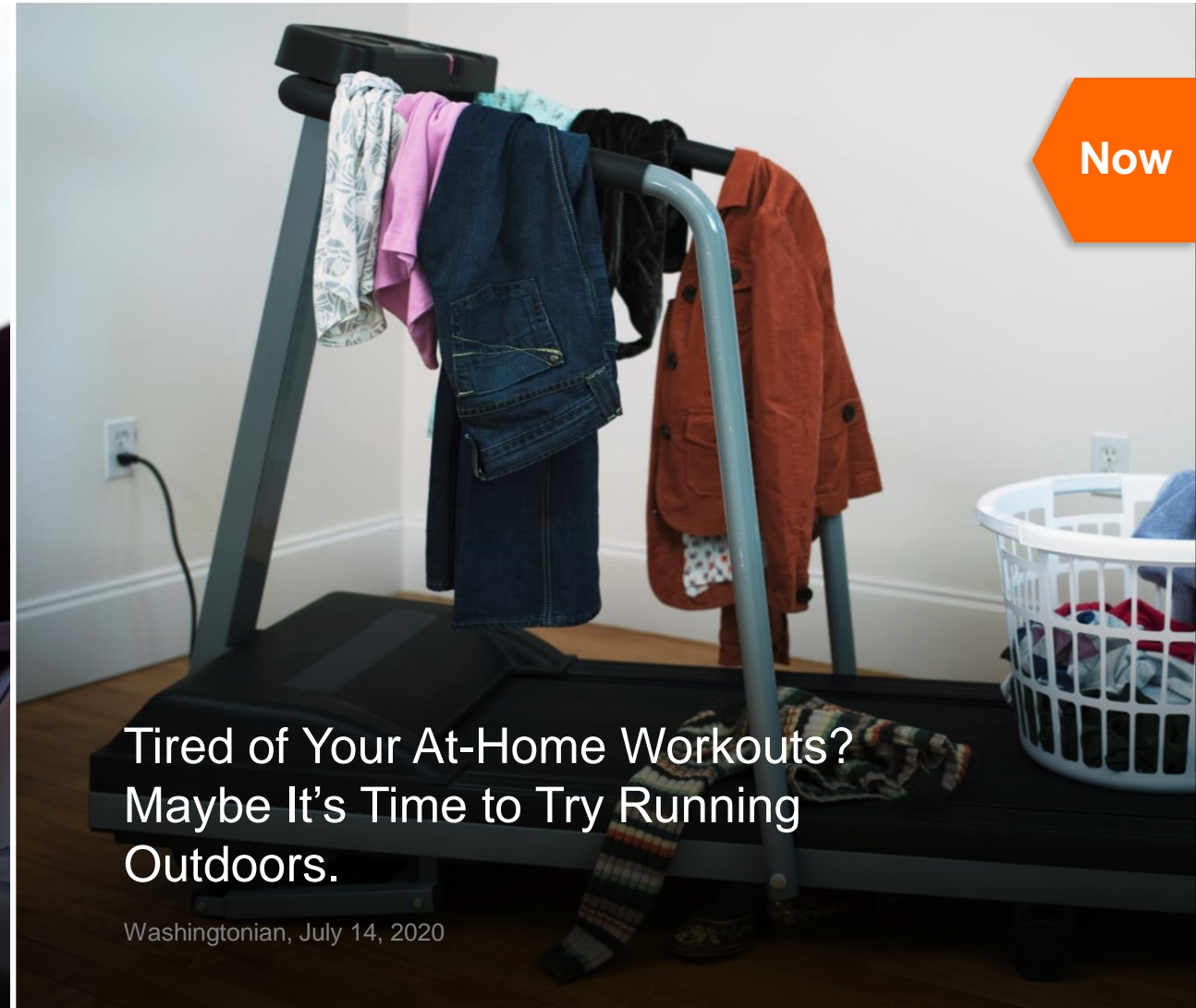


Paradigm Shifts or Passing Fads – Home Workouts



At-Home Fitness May Outlast
Coronavirus Pandemic as Digital
Offerings Keep Customers Engaged

Fox Business, November 9, 2020



Tired of Your At-Home Workouts?
Maybe It's Time to Try Running
Outdoors.

Washingtonian, July 14, 2020

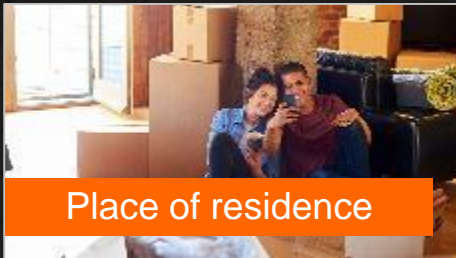
Evaluation Framework – Paradigm Shifts or Passing Fads

- Who is adopting the change?
- Is the new paradigm a sufficient substitute for the original?
- Is the change scalable (tech or digital driven), or is it a manual work-around?
- Was the change already underway, and the pandemic accelerated the inevitable?
- Is the change gimmicky or a stop-gap for something better that's on the horizon?
- Does the new way bring about more benefits than simply substituting for the old way?

Broad Implications Stem From the Shift to Working From Home



Transportation



Place of residence



Building materials



Daycare



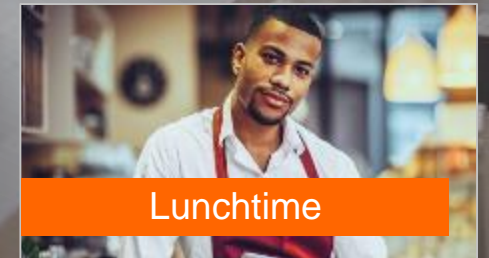
Fashion and beauty



Coffee and breakfast



Furniture / Electronics



Lunchtime

Home – The New Central Focus



Home is where Americans feel safest amid coronavirus pandemic, survey finds



Decorating and improving outdoor spaces at home, as people are increasingly preferring to socialize and entertain at home

Source: General industry information, Navigate360, Fox News, October 9, 2020.

Home Improvement – DIY

60%

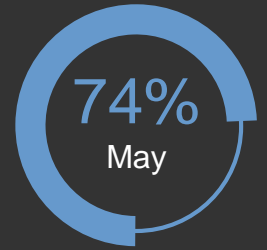
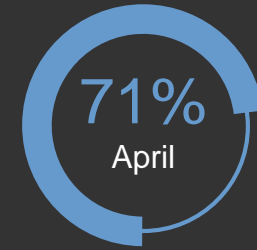
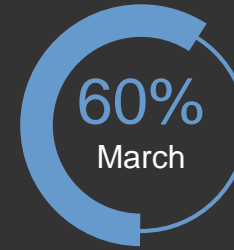
of DIYers are focusing more on their homes than other expenditures

“ Our DIY customers are reengaging with their home and with The Home Depot in a meaningful way, and they are engaging across the store. ”

– Edward Decker,
EVP of Merchandising at The Home Depot

Have you started any new DIY projects in or around your home in the last week?

(Maintenance, replacement, repair, or remodeling work that you are doing)



Improving the Home Office



Desk or table for computer



Chair



Phone



Functional lighting



Privacy



Noise canceling headphones



Robust home network (new router, mesh router system)



Computer equipment (ergonomic keyboard, printer, external monitor)

Home Improvement – Staycations



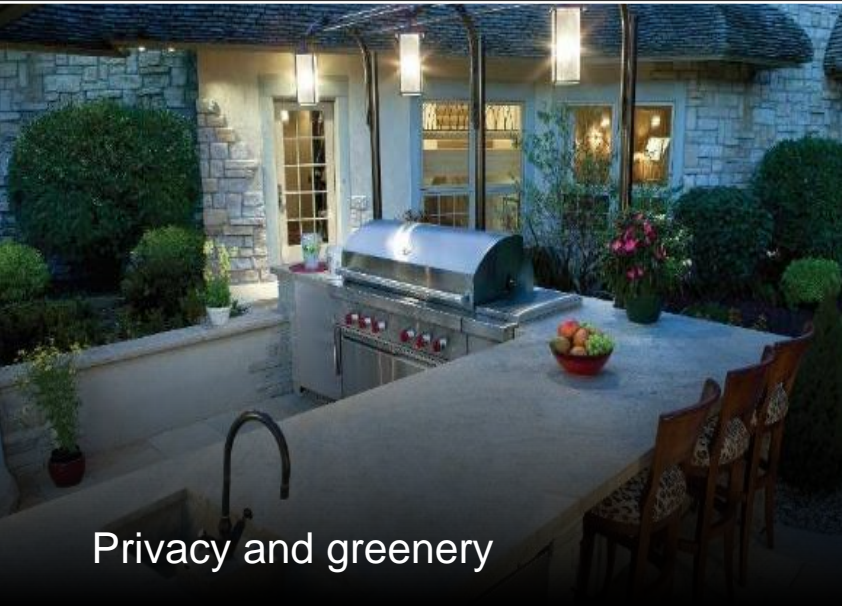
More people chose staycations over traditional summer vacation due to the COVID-19 restrictions.

How to create your own backyard movie theater

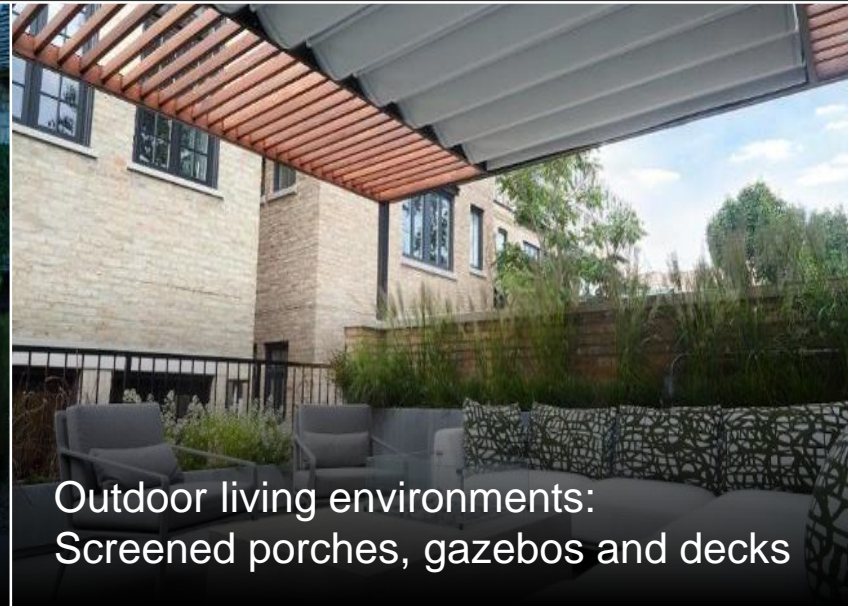


This trend has led to an uptick in home improvement projects to create more vacation-like amenities at home.

How to turn your backyard into a water park this summer



Privacy and greenery



Outdoor living environments:
Screened porches, gazebos and decks



Luxury outdoor amenities: Premium lighting, fireplaces, sophisticated grills and outdoor food prep areas

Source: General industry information, Newsday, June 1, 2020, CNN, June 29, 2020.

Banks Quickly Rolled Out Robots, AI and Virtual Assistants

The pandemic-driven increase in customer service call volumes ...

33%

increase in call volume to banking customer service during COVID

3x

increase in average call wait times

...compelled banks to accelerate their digital transformation plans



Banks rolled out robots to manage surge of pandemic-related loans.



Banks used AI to support complex underwriting processes.



Bank virtual assistants learned thousands of ways to talk to customers about the virus.

Digital Banking Expanded Its Demographic



“

We added over one million new mobile check deposit users with a surprising 22% of those being baby boomers or seniors who have been traditionally harder to engage digitally.

”

– Brian Moynihan,
CEO of Bank of America

Source: Bank of America.

Branch Banking Incorporates Appointments and Consulting

72%

increase in appointment volume from February to April for Regions Bank, including a 350% increase in new account openings

50

quasi-digital “solutions centers” are scheduled to be opened by PNC in 2020 and 2021

“

F.N.B. began redesigning its branches a few years ago to focus more on consultations and less on transactions. Recent consumer behavior changes are accelerating the bank's plan to convert more of its branches to this prototype. ”

– Vincent Delie,
CEO of F.N.B. Corp

Social Media Usage Grows

4B+

people around the world
now use social media
each month

~2M

new users joining social
media every day

~53%

of people globally use
social media, up from
50% just three months
ago

~9

different platforms that
the typical social media
user is now a member of

~51%

of U.S. adults reported
**using social media at
higher rates** since the
start of the pandemic

Expanding Use of Social Platforms



2B+

TikTok downloads
in the past two years



~315M

downloads in 1Q20, at the height
of the pandemic, the most for
any app ever in a quarter

Top Non-game App Downloads (August 2020)



Future of Social Media



Social media usage will likely normalize post pandemic. A survey of U.S. adults revealed:

~25%

stated they would continue to spend more time on social media after the pandemic

51%

thought their pre- and post-pandemic social usage would be the same

21%

thought of decreasing social media use after the pandemic



“ I don't expect this exact spike in usage will sustain over a longer period of time. ”

– Mark Zuckerberg,
CEO of Facebook

Retailer's Focus on Digital



“ I continue to be excited about the opportunity I see for NIKE in digital. We know that digital is the new normal. The consumer today is digitally grounded and simply will not revert. ”

– John Donahoe,
CEO of Nike

+83%

YoY sales growth for Nike's digital channel

+200%

growth in demand for Nike's commerce app



“ Customer shopping behavior will be permanently changed in a way that is even more digital and puts them entirely in control to shop how they want. Our strategy is to embrace that reality and lead, not follow. ”

– Corie Barry,
CEO of Best Buy

+240%

YoY domestic online revenue growth

53%

of total domestic revenue from online; vs. 16% last year



TARGET

“ Growth in digital is way bigger to us than just the sales or profit on that one digital transaction because it deepens our relationship with the guest, and that pays off in spending in aggregate. ”

– Michael J. Fiddelke,
CFO of Target

+195%

YoY comparable digital sales growth

10M

new digital guests added in 1H20

Brick-and-Mortar Remains an Important Channel



““ When you look beneath the surface of the reported numbers, you find that our stores actually drove over 90% of our Q2 growth and enabled more than 3/4 of our digital sales and an even higher percentage of our digital growth. ””

– Brian Cornell,
CEO of Target



““ Our unmatched drive-thru penetration has allowed us to continue serving more customers in more markets than anyone else. While we've seen a significant uptick in drive-thru as a percentage of total sales throughout the segment, a crucial step in our recovery is the reopening of dining rooms. ””

– Chris Kempczinski
CEO of McDonald's



““ We will not look to ecommerce as our major leveraging point to get us through COVID and out the other side. It'll be complementary, as it always is. ””

– Ernie Herrman
CEO of The TJX Companies

9 retailers that are avoiding the industry's shakeout and opening stores

Burlington banks on in-store shopping

BOPIS and Curbside Become Critical for Some... Less so for Others

Gap Inc.

“ Curbside pickup and BOPIS are key to providing the best shopping experience, at the customer’s convenience and choice. ”

– Jonathan Ormerod,
Vice President of Stores, Gap Brand

COSTCO
WHOLESALE

“ Buy online and pick up in-store, we continue to look at what others do. We continue to scratch our head a little bit. It's not that we'll never do it but it's not on the agenda for this week. ”

– Richard Galanti,
CFO of Costco

AutoZone

“ We continued to see very strong growth in our online shopping channels...In particular, our Buy Online Pick-Up In-Store offering grew rapidly at 4x the growth rate of the ship-to-home options. ”

– Bill Rhodes,
CEO of AutoZone

TRADER JOE'S

“ We know that some other retailers are offering these services. We also know those offerings don't always translate into positive results. ”

– Tara Miller,
Marketing Director for Trader Joe's

Holiday Shopping



~\$997

is what consumers expect to spend on holiday shopping in 2020, only \$50 less than in 2019



Over 50% of consumers plan to spend some of the money saved from travel expenses...on holiday shopping.

Rise of the “Digital Holiday”



Then

60%

of consumers planning to purchase holiday items online (primarily to avoid crowds)



Now

34%

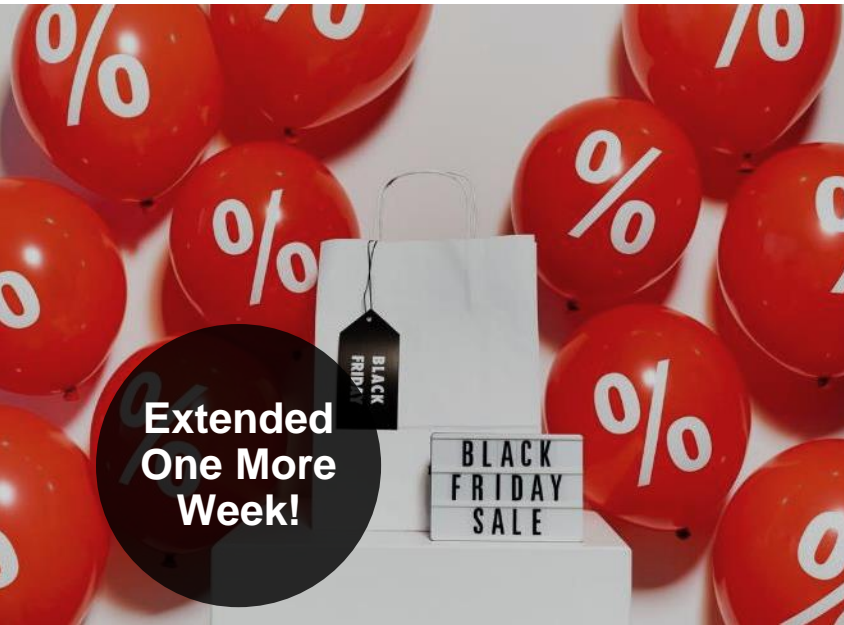
expected U.S. holiday season e-commerce sales growth

“

Retailers need to ensure their e-commerce capabilities are up to the task for the holiday season, with detailed visibility into demand changes and focus on seamless experiences and fulfillment efficiency. ”

– Brooks Kitchel,
Managing Director of Accenture Strategy, Retail

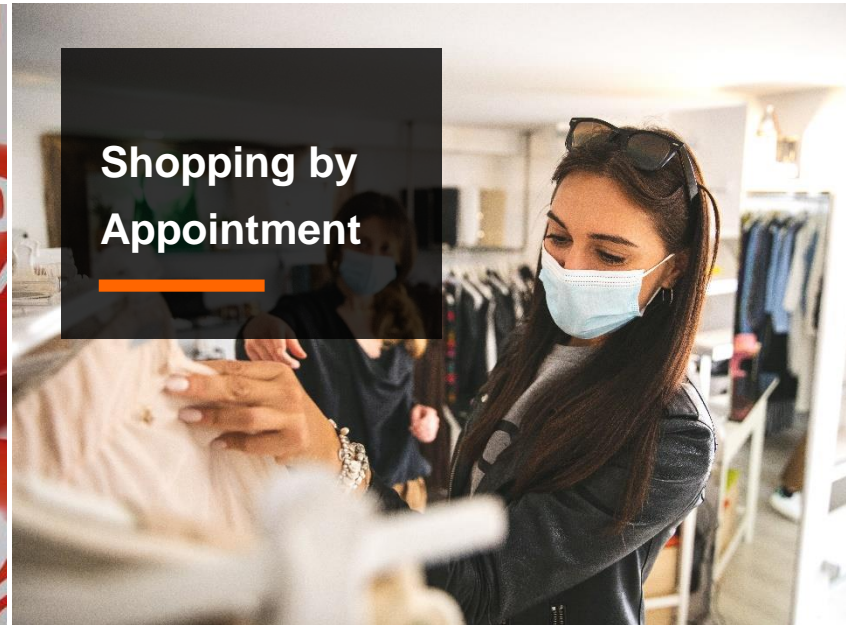
New Changes Coming to Holiday Retail



Extended
One More
Week!

Extending Black Friday offers over several weeks

- Home Depot offering "Black Friday" deals for two months
- Tanger's early-season sale kicked off on November 1st



Shopping by
Appointment

Managing throughput

62%

of consumers may shop at a physical store via shopping appointment



Same-day, BOPIS and curbside delivery

- Best Buy is testing a ship-from-store hub model
- Bed Bath and Beyond rolled out same-day delivery services

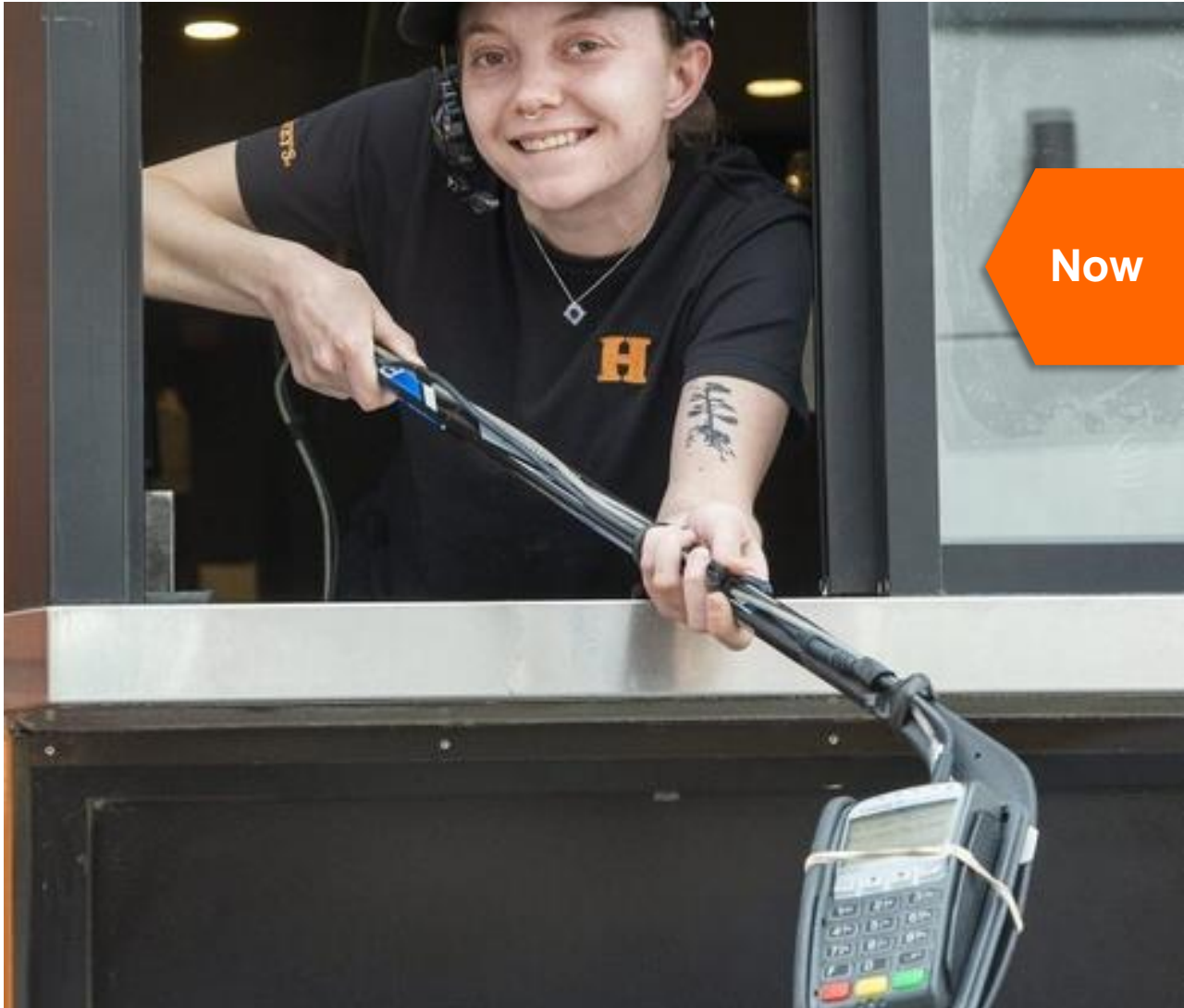
The Evolving Point of Sale

First-time consumer actions that could become long-term habits

	Actions taken for the first time since COVID-19 started	Actions would continue taking after COVID-19 ends
Used contactless payment methods	30%	70%
Had food delivered to house	31%	66%
Ordered groceries online	33%	54%

As COVID-19 has spread, consumers are hesitant to touch POS signature screens or PIN pads or to hand a card or cash to clerks, due to the perception of it spreading germs.

Innovative Methods Now Used to Ensure Social Distancing



Source: General industry information, The London Free Press, April 14, 2020.

Cash Usage at the Point of Sale



Americans are hoarding **cash** because of COVID-19

Quartz

Cash is History. How to Profit From the Digital Payment Future?

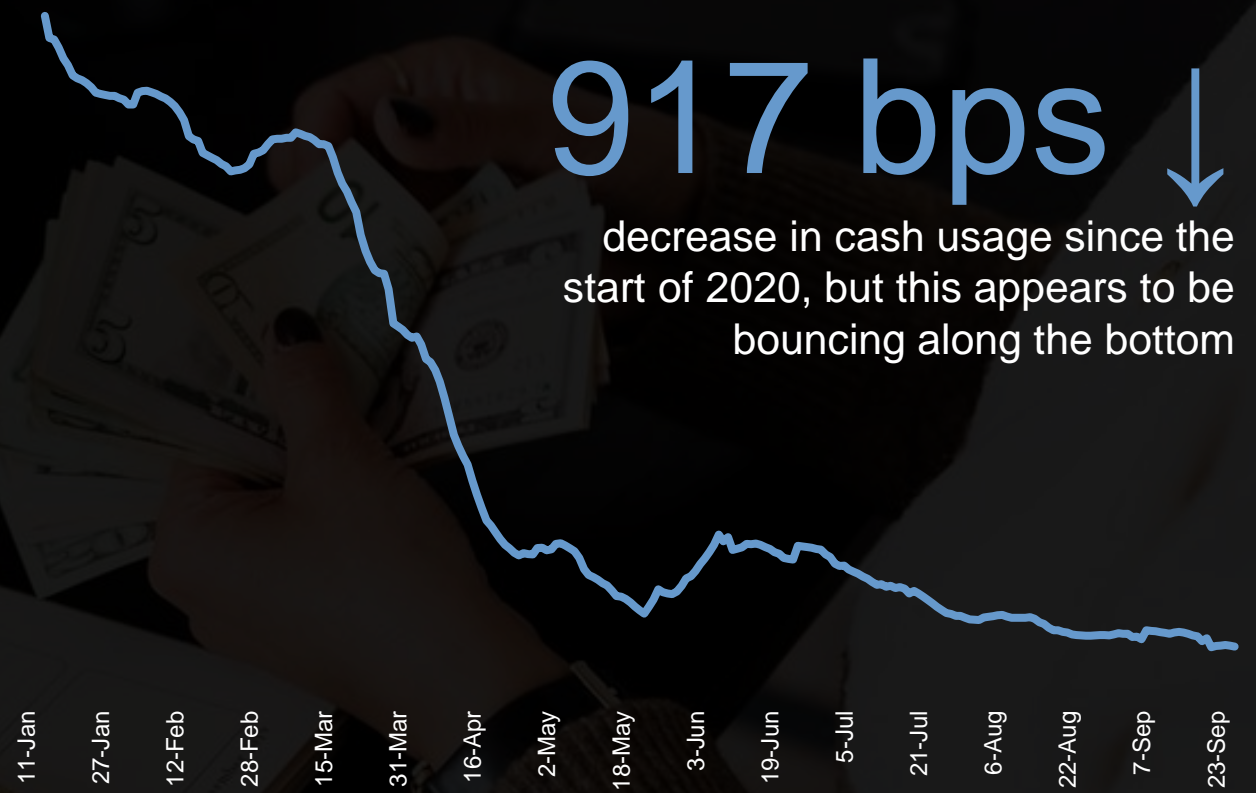
Barron's

Will the Pandemic Spell the Real Death of Cash?

PYMNTS.com



Cash Usage Decrease¹ (14-day moving average)

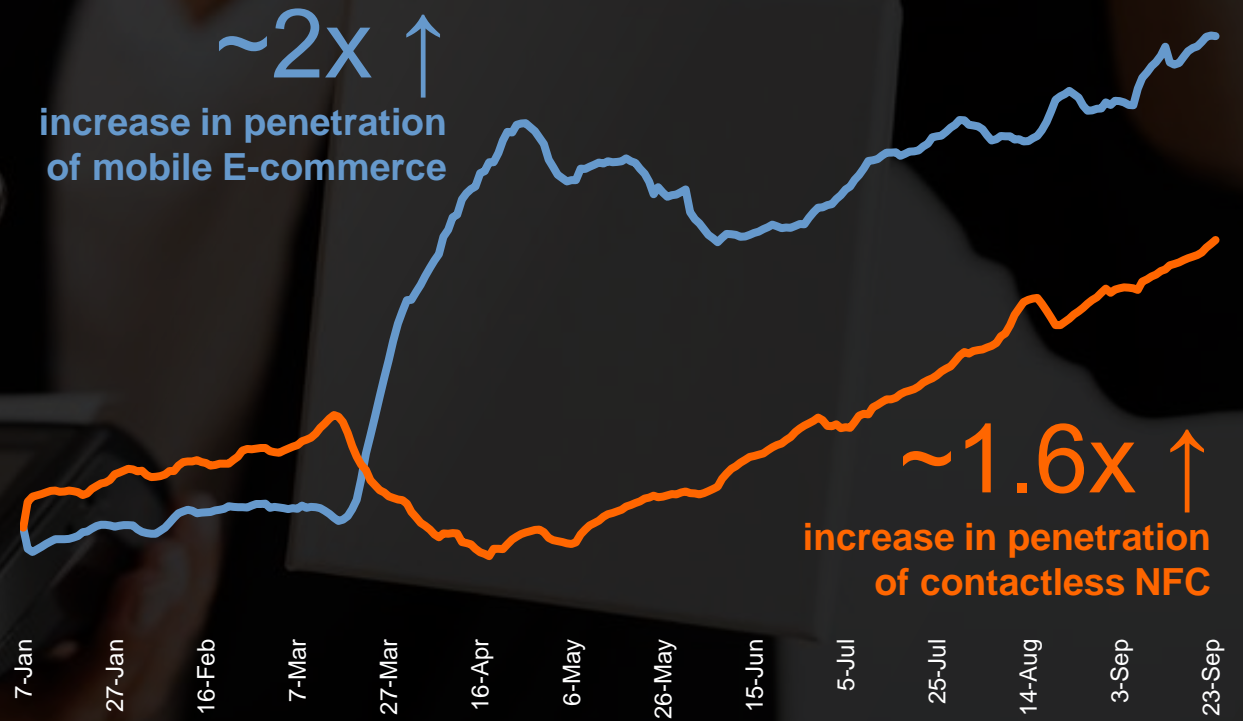


Contactless Activity Mobile E-commerce and NFC

Mobile E-commerce activity increased while contactless NFC dropped in the initial stages of the pandemic.

Penetration has steadily improved as shoppers ventured out, but wanted to limit touch exposures.

Contactless Share of Transactions¹ (7-day moving average)



Source: Fiserv. 1. Measured as Mobile E-commerce transactions as a percent of overall transactions. Mobile E-commerce transactions include transactions performed through mobile wallets such as Masterpass, Visa Checkout, Walmart Pay®, Apple Pay®, Samsung Pay® and Google Pay®, but excludes face-to-face contactless near field communications (NFC) transactions conducted via methods such as Apple Pay®, Samsung Pay® or Google Pay®.

The Pandemic Has Altered Grocery Shopping Behavior



Consumer Changes

Less browsing and product discovery

Shift to online

Less frequent trips/bulk buying

More selection of frozen items

Aug 2019

\$1.2B in online grocery sales in the U.S.

June 2020

\$7.2B in online grocery sales in the U.S.

Pre-COVID, 19% of U.S. consumers shopped for food more than 3X a week.

In June, 10% of U.S. consumers shopped for food more than 3x a week.



Grocer Changes



Restocking top-selling 1,000 items more frequently



Delivery/ Curbside pick up



Reduction in choices / Decrease in selection



Contactless technology in-store



We reduced ~21% of our SKUs to deliver the volume of our most in-demand products, ensuring availability everywhere for consumers.



– Mike Del Pozzo, SVP of Sales at Frito-Lay North America

Meal Kits Making a Comeback

When the COVID-19 pandemic hit grocer's shelves, the meal kit industry saw an opportunity...



HelloFresh saw 90% growth in active U.S. customers in 1Q20, and revenue was up 65% YoY.



Freshly delivered 20% more meals in March, compared to February; 20% of users increased their weekly plans from 6 meals, to 9 meals.

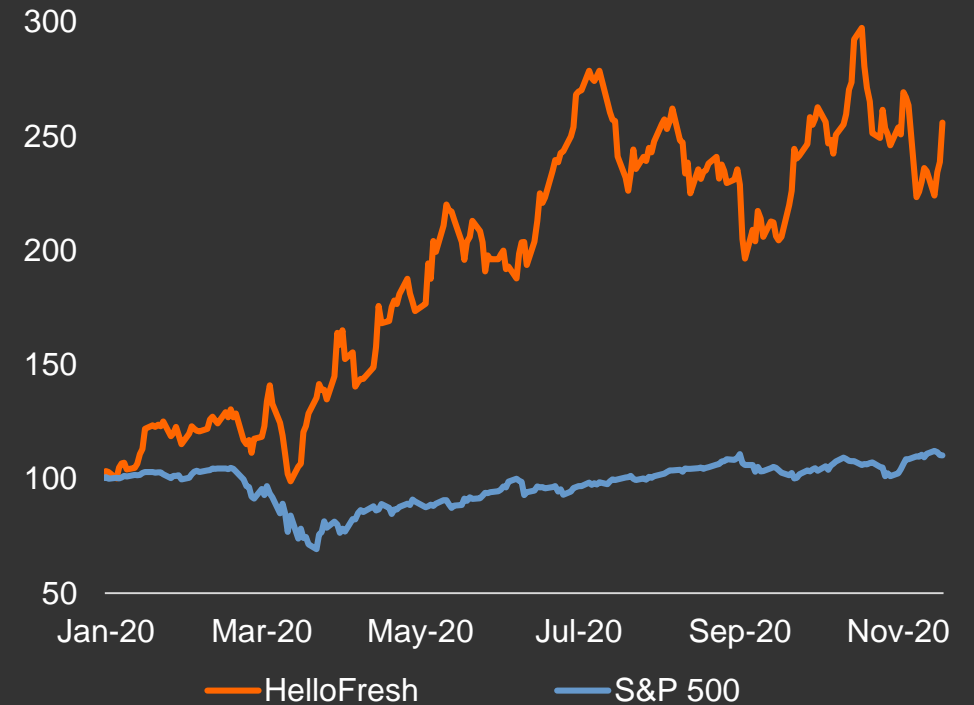


Blue Apron recorded a 27% jump in demand for meal kits in April.

Turning the increased demand into something sustainable will be key for the industry...

HelloFresh Stock is Having A Strong Year

Stock performance indexed to 100



Grocery Delivery Starts to Scale

Uber \$1B+

run-rate for grocery delivery gross bookings in September

“ We expect that to be multiples of that \$1 billion next year...And we think we're at the very, very early days. ”

— Dara Khosrowshahi,
CEO of Uber



Delivery of 160K+ items from groceries to everyday essentials, to customers' doors in under two hours



Unlimited free delivery for \$12.95/month



March 350+ retail partners
25K+ stores

Announces Plans To Bring On 300K New Personal Shoppers Over The Next 3 Months

October 500+ retail partners
~40K stores

To own or not to own delivery? Grocers reassess the Instacart dilemma.

Grocery Delivery Explores Alternative Tech



Walmart is piloting on-demand drone delivery, focusing on select grocery and household essentials from Walmart stores, using automated drones from Flytrex.



In early 2021 Walmart will team up with Cruise to pilot delivery – contact-free – via Cruise’s all-electric self-driving cars.



Amazon received approval from the FAA to operate its fleet of Prime Air delivery drones.



Rouses Markets is testing an unmanned grocery delivery pilot program.

“ We should be able to get groceries to customers in 30 minutes or even less. ”

– Donny Rouse, CEO of Rouses Markets

Dining in the COVID Era

Diners on the OpenTable Network

(YoY, 7-day moving average)



Significant Financial Impact Expected

\$240B

in losses expected
in 2020

53%

of restaurants
wont re-open

Obstacles for reopening

- Seating capacity
- Customer safety
- Customer comfort
- Closing times
- Overhead
- Cold weather

Restaurants Turn to Delivery... at a Cost

Despite “eating” into profit margins, restaurants have utilized third-party delivery services to maintain sales.

+51%

increase in food delivery sales from March to May

“ Partnering with all of the major third-party delivery aggregators has led to an increase in orders, a reduction in delivery time and cancellations and an improvement in overall customer ratings. ”

– Brian Niccol,
CEO of Chipotle Mexican Grill

Fees can range from 20–40%

GRUBHUB

Uber Eats



Postmates



DOORDASH

QSRs Focus on Food in the Fast Lane



New growth strategy will double down on the 3Ds (Digital, Delivery and Drive-thru)



New concept will be smaller, and have a synchronized digital experience, dual drive-thrus, curbside pick-up and...bellhops



New drive-thru experience will offer predictive selling, loyalty program integration, and remote, contactless payments

“

Drive-thru speed of service is an ongoing focus.



– Joseph Erlinger,
President of McDonald's USA

”

“

With demand for our drive-thru at an all-time high...adapting to meet our consumers rapidly changing needs has never been more important.



– Mike Grams,
President, Global COO of Taco Bell

”

“

We believe strongly that it is time to modernize our drive-thru lanes ...to provide even better, quicker and contactless service.



– Jose Cil,
CEO of RBI

”

Fitness and Exercise

Declining Footfalls in Gyms

34%

of gym exercisers have, or plan to, cancel their gym memberships

38,000+

Clubs and studios have shut down

Brick-and-mortar

Fitness centers are pivoting toward virtual platforms

Growing At-Home Fitness

45%

have invested in at-home fitness equipment

Increased adoption of smart gyms or connected home-fitness equipment

At-home fitness equipment providers seeing jump amid at-home fitness boom:

- **Peloton** sales expected to nearly double
- **Future** raised \$24M Series B for workout coaching app
- **Lululemon** to acquire Mirror for \$500M

Fitness and Exercise (Cont'd)

Surge in fitness apps and streaming and smart wearables

“ If you zoom out into the future, and you look back, and you ask the question, ‘What was Apple’s greatest contribution to mankind?’ It will be about health. ”

– Tim Cook,
CEO of Apple



24%

increase in users of fitness wearables in the U.S.



179%

growth in Strava app downloads from January to May



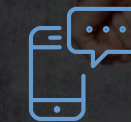
~396M

fitness wearables shipped globally



46%

quarterly increase in worldwide health and fitness apps downloads



10x

growth in demand for streaming services from Mindbody

Fitness and Exercise (Cont'd)

Rising preference for digital and affordable fitness solutions

86%

of consumers (under the age of 30) are using some form of **digital fitness** in 2020, up from ~50% in 2019

56%

said that the pandemic helped them find “**more affordable**” ways to get exercise and live a healthier lifestyle



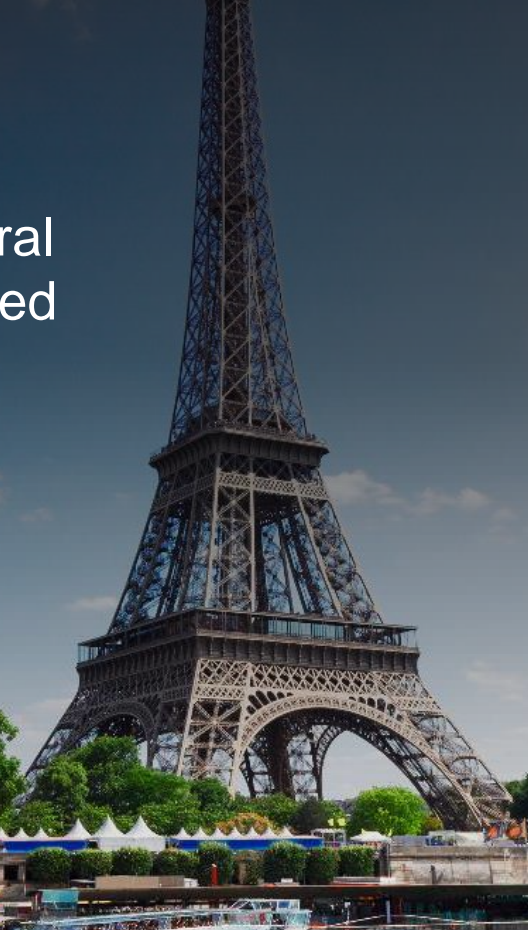
Source: General industry information, TD Ameritrade, CNBC, July 23, 2020, aSweatlife.

Travel and Leisure

A desire to travel internationally...

Then

Traditionally, iconic structures, historical monuments and natural wonders were preferred destinations



...is being replaced by secluded / local destinations

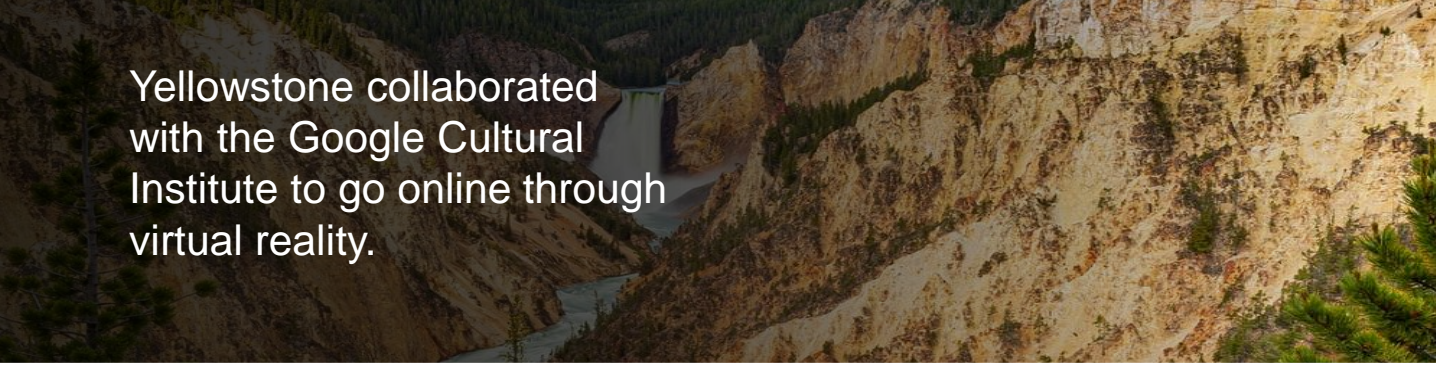
Now

- 40%** of U.S. travelers stating that the COVID-19 pandemic has made them rethink their destination choices
- 71%** of travelers are looking at domestic travel destinations, up from 58% last year
- 47%** of travelers are considering in-state road trips for their next holiday

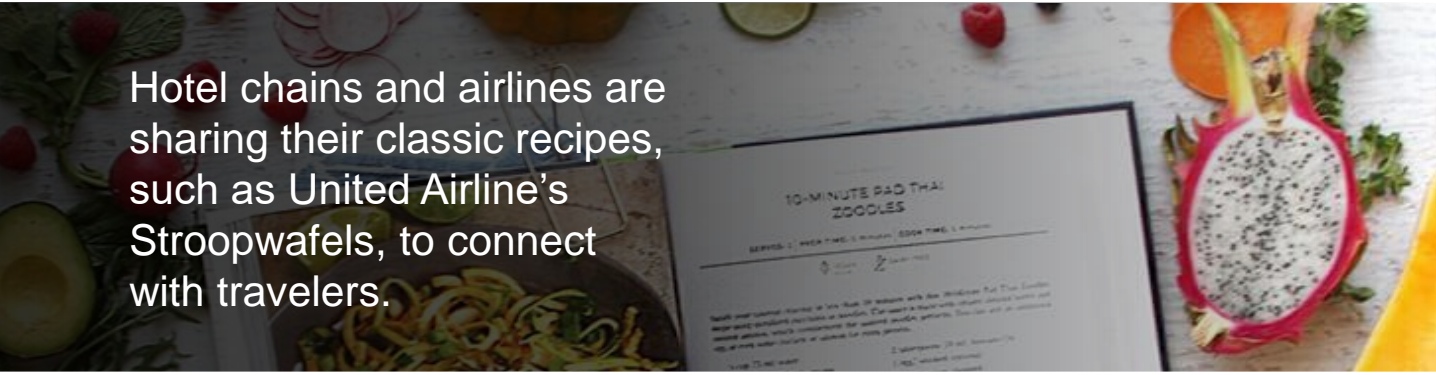
Road trips preferred over flights:

- Hitting the road in vacation pods
- School on the road for “schoolcations”

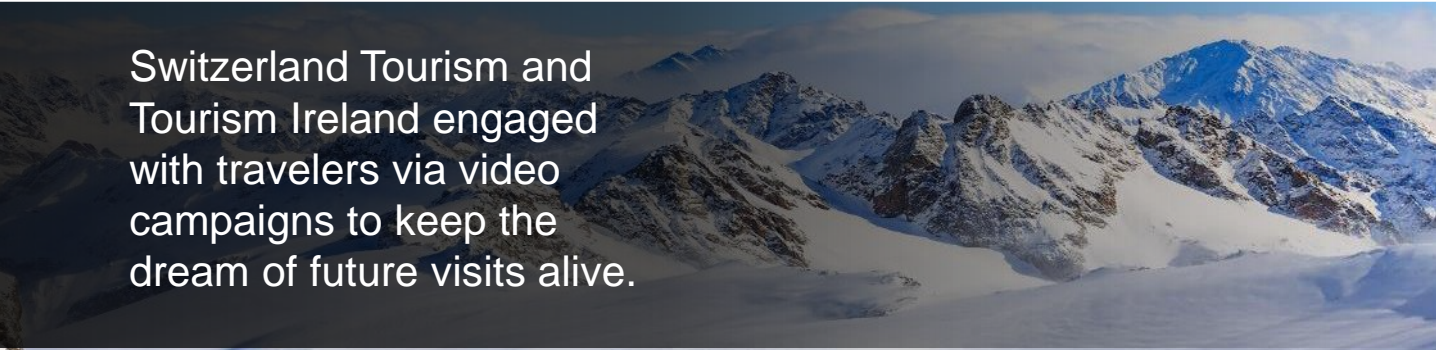
Virtual Tourism




Yellowstone collaborated with the Google Cultural Institute to go online through virtual reality.



Hotel chains and airlines are sharing their classic recipes, such as United Airline's Stroopwafels, to connect with travelers.



Switzerland Tourism and Tourism Ireland engaged with travelers via video campaigns to keep the dream of future visits alive.



“ We know technology is already changing how we travel, and it's only going to accelerate with VR in a post-pandemic environment. ”

– Siobhan McManamy,
Director of Markets at Tourism Ireland

Source: General industry information, World Travel & Tourism Council, BBC, October 30, 2020.

A Latent Desire to Travel Remains



Singapore Airlines

Grounded planes double as pop-up restaurants



Finnair

Selling Business Class meals in grocery stores



Qantas

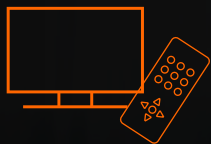
Flights to nowhere for those with nowhere to go

Entertainment

With consumers stuck at home during the pandemic, entertainment has evolved...

“ To look at Q3, the biggest impact was really the first half of the year and that giant pull-forward in subscriber additions in the first half of the year with COVID. ”

– Spencer Neumann,
CFO of Netflix



Demand for streaming services, accelerating an already-strong trend



AR/VR integration to enhance audience experience in gaming, immersive theater, museums, art galleries, theme parks, concerts, etc.



Virtual events and sports becoming the norm, majority of sporting events taking place without live stadium audiences

Streaming Content

2x

global streaming market (audio + video) expected growth in 2020...as consumption switched from audio to video

73M+

Disney+ paid subscribers added in its first year

28M+

Netflix paid memberships added in the first nine months of 2020, exceeding the total for all of 2019

↑ 20%

increase in music streaming revenue in 2019, accounting for nearly 80% of all recorded music revenues, but ...

↓ 7–9%

...decline in streaming shown in some markets from early data after the pandemic set in

↓ 20%

decline in U.S. podcast listens from the start of the year to the beginning of April, but some categories (i.e. hobbies, learning, etc.) actually increased

Drivers

- Less commuting
- Fewer gym visits
- Increased focus on TV news media

Video Games and eSports

- Like streaming, video games and eSports have also benefited from consumers staying at home
- Video games are expanding their market demographic

Video Game Market Forecast:

4x box office revenues

3x music industry revenues

75% increase in gaming traffic during peak hours

- While **eSports ad revenues** have been **impacted** as live events have been canceled
- The spotlight shifts to **eSports**, as sports leagues and TV broadcasters replace live sports events
- NASCAR iRacing Series peaked at **1.3M viewers**

Movies

10x

increase in Google searches for “Drive in movie” (June 2020 vs. pre-pandemic)

160

Walmart stores transformed their parking lots into a drive-in movie theater experience



Source: General industry information, Walmart, Google Trends.

Healthcare Diagnosis

Moving from
“The doctor is in” ...
to “The doctor is on”


Pandemic compels consumers to
adopt virtual healthcare

50–175x

increase in the number of
telehealth visits in the U.S.

Telemedicine providers are experiencing
a surge in adoption:

 **20x**
increase in Q1 visits

 **50%**
rise in visits in one week

 **9x**
growth in the use of services

Rise of Remote Learning

From traditional classrooms to ...



Then

...Remote classrooms



Now

\$4.1 B

in global VC funding for edtech in 1H20, up 58%

Source: General industry information, World Economic Forum.

Education Goes High-Tech

VR/AR, AI, and online providers expected to change the face of learning



Using VR / AR to create a more immersive experience

900+ VR tours and

100+ AR tours

Offered by Google Expeditions



Using AI to personalize course offerings, translate lessons and converse with students

47%+

of learning management tools will be AI enabled by 2024



Demand for online course providers as focus shifts toward skill-based learning

4x

increase in enrollments and

55%

increase in course content for Udemy

Fashion – Beauty

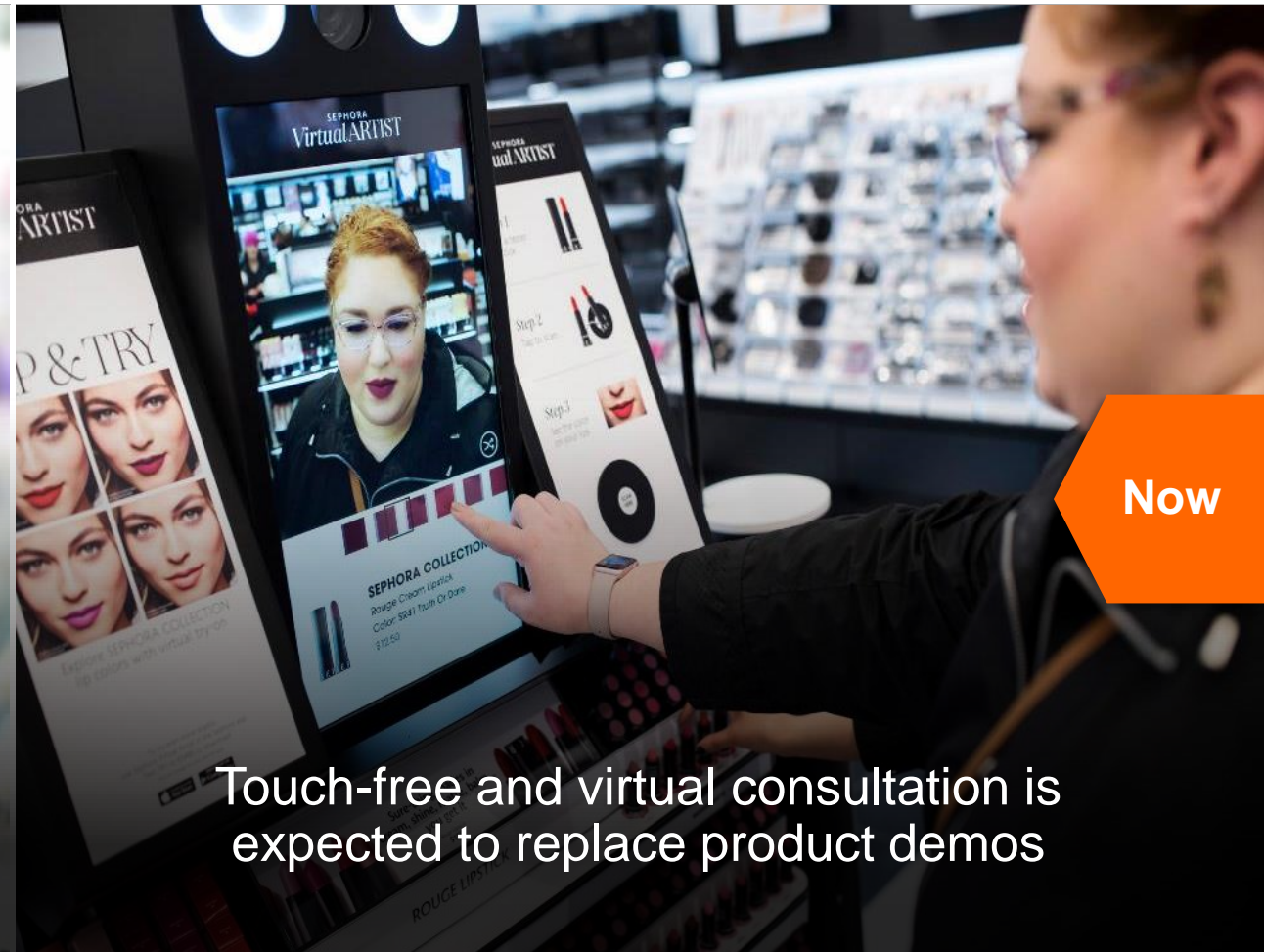
Beauty is moving from touch and feel ...

... to truly virtual



Then

56% of consumers preferred purchasing beauty products in-store



Now

Touch-free and virtual consultation is expected to replace product demos

Source: General industry information, Dotcom Distribution, The New York Times, May 11, 2020.

Beauty



Sanitizers are becoming beauty products



Masks are becoming fashionable



Demand for skin care products exceeds cosmetics



Eye makeup sales are higher than those for lipsticks or foundation

“

Having fun with makeup around your eyes because that's how we can express ourselves now. ”

— Julee Wilson,
Beauty Director at Cosmopolitan

71%

of women wear makeup less often due to the lifestyle changes caused by COVID-19

Fintech and the Capital Markets

Notable 2020 Events



IPO



M&A



Financing



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