

United Kingdom Payment Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 100 pages | Mordor Intelligence

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Report description:

The United Kingdom Payment Market is expected to grow at a CAGR of 12.56% over the forecast period (2023 - 2028). The payment services worldwide, including the United Kingdom, are rapidly shifting towards adopting digital payment applications, such as Paypal, Samsung Pay, Mastercard, American Express, and Shopify, to accept and transfer payments. With factors like increasing internet penetration and rapid growth in online retailing, this trend is expected to continue over the forecast period.

Key Highlights

The payments market is transforming according to customer behavior. A few trends influencing the payments market are cashless economies, mobile banking, instant payments, digital commerce, and the growing impact of regulatory agencies.

The payment market in the United Kingdom has recorded strong evolution, with new providers, platforms, and payment tools being introduced in the region. The increased usage of the internet and smartphone penetration in the region is anticipated to drive the digital payments market in the studied country significantly.

Moreover, increased awareness of electronic payments and continuously developing evolving payment infrastructure have successfully facilitated using electronic payment methods for day-to-day transactions.

The digital gift card segment is another fast-growing vertical globally. As the demand for gift cards continues to rise quarter-on-quarter, BNPL firms are looking to capitalize on the opportunity to further accelerate their growth in the United Kingdom.

For instance, In December 2021, Zilch, the United Kingdom-based BNPL provider, announced the launch of its gift card program for consumers. Notably, the firm will allow its 1.4 million users to shop for multi-use digital gift cards directly from the BNPL platform. With global gift card sales expected to grow nearly 8.3% year-over-year, the launch of gift cards will allow the firm to further boost its growth over the next four to eight quarters.

During the COVID-19 pandemic, the UK government announced various stimulus packages created to boost the economy. The

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stimulus packages include measures for young individuals' employment, green investments, and supporting employees who lost their jobs. In March 2021, the UK government introduced a new COVID-19 package in its 2021 budget amounting to USD 90 billion. Meanwhile, the layoff program was extended until September 30, 2021.

UK Payment Market Trends

Significant Growth in Payment is Expected due to Digital Transformation

According to the Department for Digital, Culture, Media & Sport, the G7 Digital and Technology Ministerial Declaration strengthened the UK's support for industry-led, inclusive, multi-stakeholder strategies to set technical standards. The G7 Presidency includes the UK-led agreement on several emphases to use technology for better post-pandemic growth. The UK is expected to host the Future Tech Forum in 2021.

A UK-India Strategic Tech Dialogue, agreed in principle by Prime Minister Johnson and Prime Minister Modi on 4 May 2021, will provide an overarching framework for implementing the UK-India Joint Declaration of Intent on Digital and Technology.

Debit and Credit cards are the primary payment method in the country. According to the Bank of England, a debit card is significantly used in the UK, and the popularity of debit cards has replaced cash in recent years.

Moreover, the growth of mobile shopping in the country is gradually increasing the usage of eWallets. eWallet utilization is growing at twice the speed of cards, with PayPal leading the way. The adoption of eWallets in the UK is expected to accelerate even more as online shoppers prefer cross-border shopping with the rest of Europe.

According to Tech UK, the country witnessed substantial growth in 2021, with the economy growing by 7.5%. Prediction suggests that the country has the potential to develop a further three million new technology jobs by 2025.

E-commerce and Rising Adoption of M-commerce is Expected to Drive the Payments Market

The government regulations during the Covid -19 pandemic led to the shutdown of many industries worldwide. The major shutdown compelled the customers to switch to e-commerce websites for shopping, and retailing, which increased the usage of the Buy Now Pay Later payment option. According to Worldpay, Buy Now Pay Later (BNPL) is expected to nearly double its share of e-com payments, from 6.2% in 2021 to 12.1% by 2025.

According to International Trade Administration, Online shopping in the United Kingdom is more popular than in other countries. E-commerce consumers are witnessed to be 36% of the total retail market.

Many players seek to establish regional acquisitions and mergers to promote the payments market. For instance, In May 2022, a British e-commerce aggregator, Olsam, announced the acquisition of a US-based MarketFleet. Olam acquired Amazon sellers and used its platform's data, operational expertise, and technology to drive revenue and profit growth. With the capital raised in 2021, the company acquired another aggregator named Flywheel Commerce.

UK Payment Market Competitor Analysis

The United Kingdom payments market appears to be fragmented owing to the availability of the large number of players intensifying the competition. Major players in the United Kingdom payments market are adopting acquisitions and partnerships to expand their reach to more regional consumers. Some major payment market companies are Paypal, Stripe, Amazon Pay, Mastercard Inc., and Sage pay.

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In June 2022, Stripe announced the launch of delegated authentication to enhance European payment facilities. The delegated authentication feature allows Strong Customer Authentication and SCA-compliant transactions without customers being redirected to a banking app or having to enter a one-time passcode.

In September 2021, PayPal UK launched a new digital wallet for its users in the United Kingdom, which has an added charity function. Through this app, users get an option to create customized community fundraising campaigns.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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